Distr.
GENERAL

TD/B/WG.1/Misc.3/Add.3
27 May 1993

ENGLISH ONLY

TRADE AND DEVELOPMENT BOARD
Ad Hoc Working Group on Investment and Financial Flows; Non-debt-creating Finance for Development; New Mechanisms for Increasing Investment and Financial Flows
Second session
Geneva, 28 June 1993

# Case study submitted by India*

* The attached case study is circulated at the request of the submitting Government, in the form and language in which it was received.

GE.93-52099

INDIA

HOME COUNTRY REPORT

for the

UNCTAD Ad Hoc Working Group on Investment and Financial Flows: Non-Debt creating Finance for Development and New Mechanisms for Increasing Investment and Financial Flows

PART-I

# ECONOMIC POLICY FRAMEWORK, FOREIGN DIRECT INVESTMENT (FDI) AND SPECIAL ECONOMIC ZONES

GOVERNMENT OF INDIA
Ministry of Finance
Economic Division

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CONTENTS :


1. General Background

A. Main Factors and Constraints
   (a) Natural Resource Endowment
   (b) Manpower and Human Resource Development
   (c) Domestic Market
   (d) Political Stability
   (e) Infrastructural Facilities
      - Railways
      - Roads and Road Transport
      - Shipping and Ports
      - Inland Water Transport
      - Air Transport
      - Pipelines
      - Telecommunications
      - Role of Public and Private Sectors
      - Banking Institutions
      - Financial Institutes
   (f) Growth Performance
   (g) Medium Term Outlook

B. Economic Policy Framework
   (a) Structural Reforms
      (i) Industrial Policy Reforms
      (ii) Trade Policy Reforms
      (iii) Tariff Policy Reforms
      (iv) Financial Sector Reforms
      (v) Public Sector Reforms
   (b) Stabilisation Measures
      (i) Fiscal Policy
      (ii) Monetary and Credit Policy
      (iii) Exchange Rate Adjustment
      (iv) Administered Price Policy
      (v) Policies to attract Return of Flight Capital

2. Foreign Direct Investment (FDI)

A. Regulatory Framework
   - General Background
   - Liberalisation of FDI Policy and Automatic Scheme 1991
   - Operating Environment and General Restrictions
   - Legislations Governing FDI
   - Repatriation Issues
   - Supportive Measures

B. Incentives and Concessions for FDI
   - Corporate Income Tax
   - Personal Income Tax
   - Withholding Taxes
   - Capital Gains Tax

C. FDI Inflows into India

D. Impact of FDI on the Balance of Payments

E. Export Processing Zones (EPZs)
   (a) General Facilities and Fiscal Incentives
   (b) Details of EPZs
      - Kandla Free Trade Zone
      - Santacruz Electronics Export Processing Zone
      - Madras Export Processing Zoze
      - Noida Export Processing Zone
      - Cochin Export Processing Zone
      - Falta Export Processing Zone
   (c) Performance of Export Processing Zones
   (d) Setting up of Visakhapatnam Export Processing Zone
   (e) Improvements/ Revamping of EPZs Schemes

TEXT TABLES :


| | |
|---|---|
| 1 | Composition and End-use of Commercial Energy |
| 2 | Growth Rate of GDP by Kind of Economic Activity |
| 3.1 | Sectoral Growth Rates of Gross Value Added |
| 3.2 | Sectoral Investment During the Eighth Plan (1992-1997) |
| 4 | Trends in Nominal and Real Effective Exchange Rate of Rupee |
| 5 | Foreign Collaboration Approvals in India : 1965-1993 |
| 6 | Country-wise Foreign Collaborations and FDI since 1951 |
| 7-A | Stocks of Industry-wise FDI During 1987-1989 |
| 7-B | Stocks of Country-wise FDI During 1987-1989 |
| 8-A | Sectoral Distribution of Stocks of FDI During 1964-1980 |
| 8-B | Stocks of FDI in the Manufacturing Sector During 1964-1980 |
| 9 | Inflow and Outflow of Foreign Exchange in FCRCs |
| 10 | Remittance of Profits, Dividends, Royalties, Technical Fees, Interest Payments During 1964-1987 |
| 11 | Performance of Export Processing Zones |


ANNEXTURE TABLES:


| | |
|---|---|
| A-1 | Principal Economic Indicators in India since 1980 |
| A-2 | Details of FDI in India since 1980 |
| A-3 | Country-wiseForeign Collaboration Approvals: 1985-1990 |
| A-4 | Country-wise Break-up of FDI Approved During 1985-1990 |
| A-5 | Industry-wise Foreign Collaboration Approvals: 1980-1984 |
| A-6 | Industry-wise Foreign Collaboration Approvals: 1985-1990 |
| A-7 | Industry-wise Foreign Collaboration Approvals: 1991-1993 |
| A-8 | Country-wise Break-up of FDI Approved During 1991-1993 |
| A-9 | Stocks of FDI by Industry/ Country During 1987-1989 |

Appendix-1: List of industries for automatic approval of foreign technology aggrements and for 51 per cent foreign equity

Appendix-2: List of industries in which dividend repatriation is to be balanced by corresponding foreign exchange earnings

Appendix-3: Minimum Value Additions for Certain Items by EPZs

## ACRONYMS

| | |
|---|---|
| ACU | Asian Clearing Union |
| ADB | Asian Development Bank |
| BIFR | Bureau of Industrial and Financial Reconstruction |
| CCS | Cash Compensatory Support |
| CPI | Consumer Price Index |
| CRR | Cash Reserve Ratio |
| CSO | Central Statistical Organisation |
| DTA | Domestic Tariff Area |
| ECB | External Commercial Borrowing |
| ECGC | Export Credit Guarantee Corporation |
| EOU | Export Oriented Unit |
| EPCG | Export Promotion Capital Goods |
| ESTP | Electronics Software Technology Park |
| FCNRA | Foreign Currency Non-Resident Account |
| FDI | Foreign Direct Investment |
| FERA | Foreign Exchange Regulation Act |
| FII | Foreign Institutional Investor |
| FIPB | Foreign Investment Promotion Board |
| GATT | General Agreement on Tariffs and Trade |
| GDP | Gross Domestic Product |
| GDRM | Global Depository Receipt Mechanism |
| IDA | International Development Agency |
| IMF | International Monetary Fund |
| IPRS | International Price Reimbursement Scheme |
| LERMS | Liberalised Exchange Rate Management System |
| MMMF | Money Market Mutual Funds |
| MOU | Memorandum of Understanding |
| NEER | Nominal Effective Exchange Rate |
| NFEE | Net Foreign Exchange Earnings |
| NRER | Non Resident External(Rupee) Accounts |
| NRF | National Renewal Fund |
| NRI | Non Resident Indian |
| NR(E)RA | Non-Residends (External) Rupee Account |
| OCB | Overseas Corporate Body |
| RBI | Reserve Bank of India |
| REER | Real Effective Exchange Rate |
| SEBI | Securities and Exchange Board of India |
| SLR | Statutory Liquidity Ratio |
| WPI | Wholesale Price Index |

## NOTES :

The following numerical units are used in the report :

| | |
|---|---|
| Lakh | 100 thousand |
| Million | 1000 thousand |
| Crore | 10 million |
| Billion | 1000 million = 100 crore |

# HOME COUNTRY REPORT ON INDIA

for the

UNCTAD Ad Hoc Working Group on Investment and Financial Flows: Non-Debt creating Finance for Development and New Mechanisms for Increasing Investment and Financial Flows

## PART-I : ECONOMIC POLICY FRAMEWORK, DIRECT FOREIGN INVESTMENT AND SPECIAL ECONOMIC ZONES

### 1 General Background

Indian Government has initiated a major programme of economic reforms since July 1991 to globalise the indian economy and to impart dynamism to the overall growth process. The strategy of economic reforms is based on a combination of measures aimed at economic stabilisation as well as structural reforms. Stabilisation was necessary in the short run to restore balance of payments equilibrium and to control inflation. The reform measures are equally important in the medium term to enhance the efficiency and international competetiveness of Indian industries. Trade, industry and financial sectors have been liberalised to a great extent to attract private and foreign investment flows and to encourage Indian exports so that the pressure on balance of payments is eased over the years.

Although it is too early to assess the impact of several reforms initiated since July 1991 on our economy, the early results of these policies have been very favourable and encouraging. International confidence in our economy has been restored. The inflows to the Non-Resident Indians (NRI) deposits have turned out to be positive. Foreign currency assets which had declined to $1.1 billion at their lowest level in June 1991 reached $6.8 billion in the middle of August 1992 and stood at $6.4 billion at the end of March 1993. The rate of inflation which rose to a peak level of 16.7 per cent in August 1991 declined continuously and reached at 6.7 per cent at the end of March 1993.

There has been a slight slackening of industrial production which was due to severe imports squeeze during 1990-91 and 1991-92 and strict fiscal and monetary discipline, but the economy does not face any critical supply bottlenecks. Important infrastructure industries like power , steel, cement , coal etc. have continued to register impressive growth rates and there had been a turn-around of industrial and overall growth during 1992-93. Growth of exports to the General Currency Area (GCA) has accelerated and exports are expected to improve further due to industrial recovery and higher imports of basic raw materials and components . Overall capital market and investment climate also remain bouyant .

### A. Main Factors and Constraints

India, covering an area of over 3.3 million square kilometers and with a coastline of 5700 kilometers, is the seventh largest country in the world. It is also the second most populous country with a population of about 875 million and the world's largest democracy. The rate of population growth is about 2.2 per cent. The life expectancy at birth has doubled to 59 years in 1991 since the launching of the first five-year plan in 1951, and the overall literacy rate has improved from a mere 18.3 per cent in 1951 to 52.1 per cent in 1991.

During 1980's GDP in real terms had increased at the average rate of 5.8 per cent per annum and per capita income at an annual rate of 3.6 per cent. Since 1950's

there has been a significant change in sectoral composition of GDP with shift in favour of industrial and tertiary sectors. In 1950-51 agriculture and allied sectors contributed about 60 per cent to GDP, industry and mining 15 per cent and services 25 per cent; their relative shares in 1992-93 were 30, 25 and 45 per cent respectively.

Gross domestic savings as percentage of GDP ranged between 18.2 per cent and 24.8 per cent, and gross domestic capital formation in between 19.6 per cent and 27.2 per cent during 1980-1992. Rate of inflation has been under control with an average rate of 7 per cent per annum in terms of the Wholesale Price Index since 1980.

India is endowed with large reserves of natural resources like coal, iron ore, manganese, bauxite and limestone. It has the third largest pool of scientists and technically qualified manpower in the world. With a large population and rising income levels, India is a vast market - domestic as well as international. With the recent liberalisations and structural reforms in trade, industry and commerce, and her inherent advantages of huge domestic market, a comparatively mature banking system and a vibrant capital market, well established legal framework, strong entrepreneurial and managerial base, large pool of technically trained manpower, skilled and relatively inexpensive labour and strategic location in South Asia to serve as a base for overseas operations in the Indian subcontinent and Asian expansion programmes and catering markets in the Middle-East and South-East Asia India could be an attractive destination for foreign capital in the coming years.

### (a) Natural Resource Endowment

India is richly endowed with minerals and natural resources which have not been fully exploited. Coal reserves are estimated to be over 196,000 million tonnes. Since 1980 coal production has recorded a compound growth rate of 7 per cent, and coal production is expected to reach 310 million tonnes by the end of the Eighth plan (i.e.1996-97) from the present level of 240 million tonnes.

Reserves of iron ore are estimated in the range of 10.6 billion tonnes. Annual domestic consumption in recent years had been only in the range of 25 million tonnes at which level the reserves would last for approximately 420 years.

Power generation has recorded an average growth rate of over 9 per cent since 1985. In 1992-93 the electricity generated was 303 billion kwh. This is expected to increase to 450 billion kwh by 1996-97. India has vast potential for hydroelectric power, only 40 per cent of which is being expoited presently. The government is also investing in nuclear power plants and has set a target to increase nuclear power generation capacity to 10,000 MW by the year 1999-2000 from the current capacity of approximately 2000 MW. India has vast potential for generating power based on agro-animal waste, natural gas, solar, wind and tidal energy.

The overall oil reserves of India are estimated at 20 billion tonnes and the oil equivalent of gas at 1300 million tonnes, offering vast scope for increasing production of crude oil from the present level of 28.5 million tonnes. The current refining capacity is approximately 52 million tonnes. The government expects additional investments to augment this capacity to 66 million tonnes by 1995 and 90 million tonnes by 2000.

Petroleum products play an important role in the supply of energy to different sectors of the economy. As per the lattest information available, non-commercial energy (fuel wood, bio-gas, wind and solar power) constitutes about 40 per cent of energy

supply while commercial energy constitutes the rest. Composition and end-use of commercial energy are indicated in **Table-1.**

**Table-1 : Composition and End-use of Commercial Energy**

| Sources of Energy (1) | Share (per cent) (2) | End-use by Different Sectors (per cent) Household (3) | Transport (4) | Industry (5) | Others (6) | Total (7) |
|---|---|---|---|---|---|---|
| POL. | 42 | 20 | 48 | 22 | 10 | 100 |
| Coal/lignite | 40 | 10 | 8 | 73 | 9 | 100 |
| Electricity | 17 | 12 | 15 | 60 | 13 | 100 |
| Nuclear | 1 | 0 | 0 | 100 | 0 | 100 |
| Total | 100 | 15 | 25 | 50 | 10 | 100 |

### (b) Manpower and Human Resource Development

India has an abundant supply of skilled as well as unskilled labour available at an extremely low cost. The trained manpower include accountants, engineers and scientists. India's educated manpower was approximately 160 million and economically active population was approximately 320 million in 1991. English is accepted language in educational institutes, government offices andcorporate houses and hence language does not pose any problem for running a business in India. India has a tradition of disciplined and organised labour unions. Industrial relations have been by and large peaceful and there were no major or prolonged disturbances on the labour front in recent years.

Indian planning over the years since 1951 has accorded due importance to the development of human resources. The process of development has resulted in a significant reduction in the incidence of absolute poverty. The percentage of population below the poverty line decreased from 51.5 per cent in 1972-73 to 29.9 per cent in 1987-88. Family welfare and health care measures have given positive results. The death rate declined from 27.4 per thousand in 1950 to 9.8 per thousand in 1990 and life expectancy increased from 32 years to 60 years over the same period.

There has been a significant improvement in the literacy rate from 18.3 per cent in 1950 to 52.2 per cent in 1991. The number of educational institutes of the level of higher secondary schools and pre-degree colleges recorded a significant expansion from 7416 in 1951 to 78619 in 1991. The number of degree colleges for general education increased from about 700 to 4862 and the number of universities from 25 to 172 over the same period. In the field of techical education there five Indian Institutes of Technology (IITs), four Indian Institutes of Management (IIMs), 200 Technical Education Institutes (TEIs) at the first degree level and more than 560 polytechnics at diploma level with annual intake capacities of 40000 and 80000 respectively, and about 140 institutes with an annual intake capacity of 10000 for post-graduate studies and research in several specialised fields.

A number of programmes are in operation for the welfare of weaker sections such as Scheduled Castes (SCs), Scheduled Tribes (STs), women and children. A number of special employment programmes for self and wage employment are also being implemented in rural and urban areas. These include Integrated Rural Development Programme (IRDP), Training of Rural Youth for Self Employment (TRYSEM), Development of Women and Children in Rural Areas (DWCRA), Jawahar

Rozgar Yojana (JRY), Nehru Rozgar Yojana (NRY) and Scheme for Self Employment to the Educated Unemployed (SEEUY).

The Goverment has recently set up a National Renewal Fund (NRF) to provide terminal benefits or to retrain and redeploy workers who might be adversely affected by the structural reforms in industrial and public sectors. NRF is being financed partly by partial disinvestment of equities held by government in selected public enterprises, partly by other budgetary support and partly by allocations from the International Development Agency (IDA).

### (c) Domestic Market

India has a population of about 875 million. Of this the upper and middle class consumers constitutes approximately 250 million. Recently there has been a consumer revolution within the middle class which is slowly spreading from the large cities to smaller towns and villages. There is thus a large ready market which is expanding at a rapid pace.

### (d) Political Stability

India is the largest democracy in the world since its independence in 1947. Among the third world countries it is the most stable and is expected to remain so. India has an independent legal system which is delinked from the government and the Parliament. This provides the basis for a strong judiciary. India has also a vigorous and free press which consistently focus on impartial reporting and progressive public opinion. It may also be mentioned here that some destabilising social events relating to religion and races which occured in the recent past are unlikely to happen in future since these sporadic events are basically aberrations from the normal Indian life.

### (e) Infrastuctural Facilities

Infrastructural facilities in India are fairly well developed. Further, several core industries are undergoing technical upgradation and expansion. The basic infrastructural facilities available in India are briefly described below.

#### Railways

India has the largest rail network in Asia and the second largest in the world with over 62000 route kilometers and rail density of 1.9 kms per 100 sq.km. of the area. It is a multi-gauge system consisting of Broad Gauge (55 per cent), Metre Gauge (38 per cent) and Narrow Gauge (7 per cent). BG carries more than 80 per cent of traffic. The network configuration, though impressive and adequate in many ways, has certain weaknesses such as relatively less inter connections in the Central India. The high density corridors on the quadrilateral connecting 4 metropolitan cities at Delhi, Calcutta, Bombay and Madras carries 66 per cent of total freight traffic and 50 per cent of total passenger traffic. The average lead of traffic has increased from 513 kms in 1950-51 to 740 kms in 1992-93. Bulk commodities (coal, iron ore, iron and steel, foodgrains, cement, petroleum products and fertilisers) constitute about 90 per cent of the total originating tonnage and 85 per cent of total tonne-kms on rail.

#### Roads and Road Transport

India has an extensive road network of about 2 million kilometers, almost 2.5 times of road network in China. National highways constitute only 2 per cent of total length but carry 30 per cent of the road traffic. Over 30 per cent of national highways and 90 per cent of state highways are single lane roads. Only 50 per cent of road is provided with pavement and 50 per cent of roads is surfaced. Road network is unevenly distributed and accessibility levels are poor in rural areas.

## Shipping and Ports

India has 11 major ports and 159 intermediate and minor ports located on the vast coastline of 5700 kms, and a large domestic shipping industry with capacity of 6 million GRT. Ports serve as transhipment points between sea and surface transport and points of entry and exit for foreign trade. They also act as growth centres for economic development of the hinterland. The share of Indian flag vesels in total overseas trade of about 115 million tonnes is only 37 per cent. Imports cargo, particularly bulk cargo like crude oil, petroleum products and coal, account for a significant share of cargo by Indian vessels, but their share in exports is only 30 per cent and in total liner cargo is only 16 per cent due to the presence of old, outmoded ships and the near absence of specialised vessels.

## Inland Water Transport

The navigable system comprises waterways of about 14500 kms, but mechanised cargo can operate on 5200 kms of major rivers and 500 kms of canals. Importance of the mode has declined due to several operational constraints like shallow water, narrow width of channels during dry season, siltation, bank erosion etc.

## Air Transport

India has 4 major international airports at Delhi, Calcutta, Bombay and Madras and over 100 domestic airports and civil enclaves with extensive domestic and international airlink network. International airports handle all international traffic and 40 per cent of domestic traffic. Recently private airlines have been allowed to operate in the domestic sectors.

## Pipelines

Pipelines are the most convenient mode of transport for movement of petroleum products and gases over long distances. Starting with scratch, pipeline length has increased to 8500 kms during the planning period.

## Telecommunications

Telecommunication services in India have witnessed major growth and modernisation programmes in the last decade and are fairly well distributed. With the launch of additional Indian satellites of the INSAT series, the telecommunications network, including the links of information and data communications are expected to improve significantly.

## Role of Public and Private Sectors

Historically investment in the creation of infrastructure like roads, railways, seaports and airports have largely been made by the state because of lumpiness of huge investment, low rate of return, high risk and long gestation period. In India Government controls almost 100 per cent of rail transport and majority of air transport, and provides almost all investment for building roads, rails, ports, waterways and airports. The private sector controls nearly all the trucking industry, a significant proportion of passenger road transport, almost half of the internationaland coastal shipping and all non-motorised traffic.

Public sector responsibility is divided into the central, state and local governments. Railways, national highways, airports, civil aviation and major sea ports are the responsibility of the central government, while state highways, rural roads, major ports, inland waterways and passenger road transport corporations are the

responsibility of the state government. The local governments are concerned with municipal/ corporation roads, panchayat roads and local transport services.

While public sector continues to play a dominant role in transport sector, private participation in transport is being encouraged for augmentation of transport facilities and better services. Railways have been encouraged to borrow from the open market in the form of bonds. Railways are also exploring ways to associate private sector for providing terminal facilities in the inland container depots. In ports, private sector is being encouraged to participate in providing container traffic. In respect of roads, private sector is being encouraged to construct selected toll roads and bridges, express ways, to provide missing links and to improve the quality of the existing network.

### Banking Institutions

Banking activities have been in existence in India for centuries. Not being satisfied with the social performance of private banks, the government nationalised all major banks in 1969. Consequently, the banking sector is largely government-controlled. In 1992 the number of branches of nationalised banks was 60650 with deposits aggregating Rs.2603 billion. Currently there are 15 private banks and 24 foreign banks operating in India. With the recent liberalisations in financial sector the role of private and foreign banks is being encouraged.

### Financial Institutes

There are several large financial institutes in India which can be categorised as development banks, Unit Trust of India, State level financial corporations and insurance companies. These also fall mostly in the public sector.

## (f) Growth Performance

During 1980's India successfully completed the Sixth (1980-1985) and the Seventh (1985-1990) five-year plans and moved to a higher growth profile of 5.8 per cent per annum compared with the average trend growth rate of 3.5 per cent during 1950-1980. But the gulf crisis during 1990-91 and the subsequent payments crisis alongwith unstable domestical polity led to a setback to Indian economy. During 1991-92 the gross domestic product in real terms increased by only 1.2 per cent, real per capita income declined by 1.1 per cent and the rate of gross capital formation at current prices fell from 26.3 per cent of GDP in 1990-91 to 25.5 per cent of GDP in 1991-92. The sustained progess in agricultural production, witnessed for the last three years, could not be maintained due to delayed and spatially unfavourable distribution of monsoon . Total foodgrains production declined by 5.3 per cent from 176.4 million tonnes in 1990-91 to 167.06 million tonnes in 1991-92. Ariculture and allied sectors recorded a negative growth rate of 1.4 per cent in terms of value added, industry registered a decline by 0.9 per cent while the service sector registered a positive growth rate of 4.3 per cent in 1991-92 . Within the industry group , manufacturing recorded a decline by 2.3 per cent in real terms in contrast with a positive growth of 7.5 per cent in 1990-91 **(Table-2)** .

However, the Government successfully managed the critical situation arising out of severe internal and external imbalances and prevented further disruption of growth and emergence of shortages by taking a series of bold structural reforms and a number of macro stabilisation policies for a strict fiscal prudence and monetary discipline. As per advanced estimates of national income for the year 1992-93 made by the Central Statistical Organisation (CSO), GDP in real terms is expected to grow by 4.2 per cent in 1992-93, industry by 3.6 per cent, agriculture and allied sector by 4.2 per cent and the service sector by 4.4 per cent. India has a favourable monsoon for the fifth year in succession and the rainfall has been well distributed over time and space.

## Table- 2

Growth Rate of GDP at Constant Factor Cost by Kind of Economic Activity

( Percentage change over the previous year)

| Sl.no. | Industry | 1990-91 PE | 1991-92 QE | 1992-93 AE |
|---|---|---|---|---|
| 1 | Agriculture, forestry and fishing | 4.8 | -1.4 | 4.2 |
| 2 | Industry | 7.2 | -0.9 | 3.6 |
| a) | Mining and quarrying | 4.9 | 4.0 | 5.0 |
| b) | Manufacturing | 7.5 | -2.3 | 3.5 |
| c) | Electricity, gas and water supply | 6.9 | 8.0 | 3.7 |
| 3 | Services | 4.2 | 4.3 | 4.4 |
| a) | Construction | 4.9 | 4.7 | 5.3 |
| b) | Trade, trasport and communications | 5.9 | 3.4 | 4.5 |
| c) | Financial sector and real estate | 2.9 | 8.0 | 6.6 |
| d) | Community, social & personal services | 3.3 | 2.3 | 1.8 |
| | Total GDP at factor cost | 5.2 | 1.2 | 4.2 |

Notes : PE = Provisional estimate
QE = Quick estimates
AE = Advanced estimates

## Table - 2A

GDP at factor cost at 1980-81 prices
( Rupees crores )

| Sl.no. | Industry | 1989-90 | 1990-91 PE | 1991-92 QE | 1992-93 AE |
|---|---|---|---|---|---|
| 1 | Agriculture, forestry and fishing | 63260 | 66292 | 65378 | 68142 |
| 2 | Industry | 49346 | 52913 | 52455 | 54366 |
| a) | Mining and quarrying | 3805 | 3990 | 4151 | 4358 |
| b) | Manufacturing | 41056 | 44131 | 43131 | 44644 |
| c) | Electricity, gas and water supply | 4485 | 4792 | 5173 | 5364 |
| 3 | Services | 86897 | 90586 | 94483 | 98660 |
| a) | Construction | 8896 | 9326 | 9764 | 10281 |
| b) | Trade, trasport and communications | 34995 | 36930 | 38178 | 39911 |
| c) | Financial sector and real estate | 20404 | 20985 | 22668 | 24162 |
| d) | Community, social & personal services | 22602 | 23345 | 23873 | 24306 |
| | Total GDP at factor cost | 199503 | 209791 | 212316 | 221168 |

Agricultural output is expected to increase significantly and foodgrains production is expected to reach a new height.

### (g) Medium Term Outlook

The Goverment's reform strategy over the next 5 years aims at achieving : (a) a liberalised trade regime characterised by lower tariff rates and the absence of discretionary import licensing ; (b) moving to full convertibility of rupee on the current account and an exchange rate system which is free of allocative restrictions for trade; (c) a prudent and efficient financial system operating in a competitive market environment; (d) an efficient and dynamic industrial sector subject only to regulations relating to environment, security, strategic concerns, industrial safety, unfair trading and monopolistic practices ; (e) an autonomous , competetive and streamlined public sector for providing essential infrastructure, goods and services and to develop key natural resources and areas of strategic importance .

The recent structural reforms are expected to increase efficiency and productivity of Indian industries and to impart dynamism to the overall growth process . It may be noted that modest attempt at deregulation in the mid-1980s generated higher growth in the economy and revitalised the corporate sector . The New Economic Policy is so much more far-reaching that it is difficult to forecast its precise consequences . However, it has certainly created a climate that will allow Indian industry to realise the potential that has been so long hampered by regulation and controls.

The Eighth Five Year Plan (1992-1997) has been launched on April 1, 1992 . The Plan aims at achieving an average growth rate of 5.6 per cent per annum in GDP at constant prices over the planning horizon. Given the Incremental Capital-Output ratio (ICOR) at 4.1 per cent the requirement of gross domestic investment is 23.2 per cent of GDP , which would be financed by the gross domestic saving to the extent of 21.6 per cent of GDP and net inflow of foreign capital to the extent of 1.6 per cent of GDP . Rate of growth of agriculture in terms of gross value added is targetted at 3.1 per cent per annum, that of the mining and quarrying at 8 per cent , manufacturing sector at 7.3 per cent, electricity 7.8 per cent, construction 4.7 per cent, transport 6.7 per cent, communications and other services at 6 per cent per annum (**Table-3.1**).

As regards allocation of gross investment, agriculture and allied sectors would account for 18.7 per cent, mining and manufacturing 28.6 per cent and electricity, transport and communications 27.1 per cent and the remaining investment will be in construction and service sectors . A significant shift in invest-ment is proposed in favour of agriculture and infrastructure sectors . Public sector would continue to play an important role in development . The public sector will account for 45.2 per cent of total domestic investment in the the Eighth plan compared with 47.8 per cent and 45.7 per cent in the Sixth and Seventh Plans respectively (**Table-3.2**) .
Given these broad objectives for the Eighth Plan , the economic prospects for 1992 and 1993 will depend on a number of factors such as international environment for trade and commerce, extent and intensity of further liberalisation and stabilisation policies to contain fiscal deficits and balance of payments constraints , political stability and weather conditions . Assuming that the monsoon does not fail, there is no outbreak of unforseen destabilising social and political events, and most important that the Indian industry and trade respond to liberali sation process with enough vigour and competence to allow the economy to break out of the stagflation trap, the growth rate of GDP is expected to be 5.5 per cent in 1993-94 and to improve further to 6.5 per cent and above in subsequent years of the Eighth Plan. Given the forecast of favourable monsoons and increased outlay on agriculture and rural sectors in the Eighth plan, agricultural growth rate during 1992 and 1993 is expected to achieve the Eighth plan target of 3 per cent .

Table 3.1- Sectoral Growth Rates of Gross Value Added at Factor Cost (GVA) and Value of Gross Output

| Sl. No. | Sector | Trend Growth Rate of G.V.A. 81-82 to 90-91 (10 Years) | Projected Growth Rate 92-93 to 96-97 (percent per annum) | | Sectoral Share in GDP (Percent) | |
|---|---|---|---|---|---|---|
| | | | G.V.A. | Value of Gross Output | 1991-92 | 1996-97 |
| 1. | 2. | 3. | 4. | 5. | 6. | 7. |
| 1. | Agriculture | 3.8 | 3.1 | 4.1 | 27.7 | 24.6 |
| 2. | Mining & Quarrying | 6.8 | 8.0 | 8.9 | 2.0 | 2.3 |
| 3. | Manufacturing | 7.2 | 7.3 | 8.2 | 21.5 | 23.3 |
| 4. | Electricity, Gas & Water | 9.0 | 7.8 | 7.6 | 2.4. | 2.7 |
| 5. | Construction | 3.6 | 4.7 | 5.3 | 5.1 | 4.9 |
| 6. | Transport | 7.3 | 6.7 | 7.7 | 5.9 | 6.2 |
| 7. | Communication | 6.2 | 6.1 | 6.9 | 1.2 | 1.2 |
| 8. | Other Services | 6.5 | 6.0 | 6.6 | 34.2 | 34.8 |
| 9. | Total | 5.6 | 5.6 | 6.7 | 100.0 | 100.0 |

Table 3.2 Sectoral Investment during the Eighth Plan (1992-93 to 1996-97)

(Rs.crores at 1991-92 prices)

| Sl. No. | Sector | Public | Private | Total | Share of Public Sector in Total Investment by Sectors (%) | Sectoral Distribution | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | | 6th Plan | 7th Plan | 8th Plan |
| 1. | 2. | 3. | 4. | 5. | 6. | 7. | 8. | 9. |
| 1. | Agriculture | 52000 | 96800 | 148800 | 34.95 | 15.24 | 11.23 | 18.65 |
| 2. | Mining & Quarrying | 28500 | 11100 | 39600 | 71.97 | 6.06 | 6.70 | 4.96 |
| 3. | Manufacturing | 47100 | 141300 | 188400 | 25.00 | 23.60 | 26.00 | 23.61 |
| 4. | Electricity, Gas & Water | 92000 | 10120 | 102120 | 90.09 | 12.07 | 13.65 | 12.80 |
| 5. | Construction | 3300 | 17240 | 20540 | 16.07 | 2.73 | 1.86 | 2.57 |
| 6. | Transport | 49200 | 38710 | 87910 | 55.97 | 9.42 | 9.93 | 11.02 |
| 7. | Communication | 25000 | 1000 | 26000 | 96.15 | 1.50 | 2.03 | 3.26 |
| 8. | Services | 63900 | 120730 | 184630 | 34.61 | 29.38 | 28.60 | 23.13 |
| 9. | Total | 361000 | 437000 | 798000 | 45.24 | 100.00 | 100.00 | 100.00 |

Note: Sixth & Seventh Plan figures are calculated at 1980-81 prices.

## B. Economic Policy Framework

As mentioned earlier, since July 1991 the present Government has taken a number of macro stabilisation policies and structural reforms in the spheres of trade, industry, public and financial sectors to enhance efficiency and productivity of Indian industries and to impart dynamism to the overall growth process.

### (a) Structural Reforms :

### (i) Industrial Policy Reforms

Industrial licensing was abolished with effect from July 1991 for all industries except for 18 industries which are strategic for security purpose, social reasons, hazardous chemicals, overriding environmental concerns and items of elite consumption. Subsequently, three industries including motor cars, white goods (i.e. refrigerators, washing machines, air-conditioners etc.) and raw hides, skins and patent leather excluding chamois leather have been removed from licensing w.e.f. April 1993. The exemption from licencing is also applicable to all expansions of the existing units. Broad banding has been expanded and the mandatory convertibility clause is no longer applicable for term loans from the financial institutions.

The Monopoly and Restrictive Trade Practices (MRTP ) Act has been restructured by eliminating the legal requirement of prior governmental approval for expansion of present undertakings and establishment of new undertakings. The Act has been amended to concentrate on only the policies relating to restrictive and unfair trade practice and consumer protection.

The small scale sector has been assigned an important role in the industrial development of the country on account of its inherent advantages, like lower capital intensity and higher employment generation potential compared to large scale industries. It has been estimated that at the end of the Seventh Plan it accounted for nearly 35 per cent of the gross value of output in the manufacturing sector and over 40 per cent of the total exports from the country. Besides, the sector promotes decentralisation and regional dispersal of industrial activity and helps in widening the entrepreneurial base. Recognising the need to promote this sector, emphasis has been laid for providing fiscal concessions,improving capital base, simplifying procedures and improving infrastructure and technical support to SSIs. To provide access to capital market and to encourage modernisation and technological upgradation, equity participation up to 24 per cent of the total share holding in SSI by other industrial undertakings has been allowed.

Foreign investment policy was also liberalised to accord automatic approval to direct foreign investment upto 51 per cent foreign equity in 35 high priority areas ( in engineering, chemicals, food processing and tourism sectors ) provided that the foreign equity covers fully the imports of capital goods. Foreign ownership upto 100 per cent was allowed in the power sector, 100 per cent Export Oriented Units (EOU) and selected high technology industries and in other sectors case by case. Details of the liberalised policy are discussed in Section 2.

### (ii) Trade Policy Reforms

The Government undertook a comprehensive review of the existing export and import policy and announced major structural trade reforms on July 4, 1991 and subsequently on August 13, 1991. These reforms aimed at vigorous elimination and reduction of import licensing, export promotion and optimal import saving. The cash compensatory support (CSS) was abolished and the replenishment licenses were replaced by a new instrument named Eximscrips which was freely tradable and amounted to 30 - 40 per cent of fob value of exports .

The increase in reserves provided the underpinning for further reforms in the external economic policy in February and March 1992, and further in April 1993 namely the liberalisation of trade and relaxations of import licensing, reduction in customs duties, liberalisation of export-import credit policy, introduction of a Liberalised Foreign Exchange Rate Manegement System (LERMS) with dual exchange rate and partial convertibility of rupee w.e.f. March 1992 and subsequently introducing unification of the exchange rate and full convertibility of rupee on trade account w.e.f. March 1993.

Liberalised exchange rate management system has created an open market in foreign exchange and hence an automatic mechanism to allocate exchange. Detailed allocation of foreign exchange through import licensing was thus made redundant. In the Import-Export Policy announced on 1 April 1992, trade was made free subject to only a negative list of imports and a negative list of exports. The basic aim was to strenghten liberalisation policies and to make trade policies simple, transparent and easy to administer. Negative list of imports was the smallest ever. Only 3 import items were banned, 71 items were restricted and 7 items were canalised. Negative list of exports was also pruned. Only 8 items were prohibited for exports, 52 items were subject to export licensing, 10 items were allowed for exports subject to quantitative ceilings and exports of 10 items were canalised. Exports of 47 items were permitted with minimum restrictions. Negative lists for exports and imports were to be administered, not by case by case licensing, but by general schemes. Actual user condition for imports was eliminated except for a few cases. Quantitative restrictions on exports or imports were based only on defence, environment, religion and morality and not used for protection of domestic supply or exclusion of foreign demand.

In April 1993 trade was further liberalised. Certain inputs and materials required by the agricultural sector were removed from the negative list of imports and a total of 144 items were removed from the negative list of exports.

Import of capital goods is liberalised and no longer capital goods remain in the negative list. Import of second hand capital goods, which are not more than 7 years old and have residual life of at least 5 years, is also allowed without licence in some sectors such as printing and allied processes, garments, hosiery, sports goods, electric lamps, forged hand tools, sea foods etc. and with licence in others .

Export Promotion Capital Goods (EPCG) scheme, under which import of capital goods is now permitted at concessional import duty of 15 per cent subject to export commitment equivalent to 4 times of CIF value of imports over a period of 5 years has been extended to the service sector i.e. professionals, hotels, restaurants, travel agents, diagnosticcentres etc. earning foreign exchange from their activities either in India or abroad. During post-policy period, imports of capital goods permitted under the EPCG Scheme has been substantially higher than those in earlier years.

Imports of raw materials is also liberalised and barring a few items , no longer , raw material appear in the negative list. A system of value based advance licence in addition to the quantity-based advance licenses has been introduced under the Duty Exemption Scheme. Self certification advance licence under the Self-Declared Pass-Book is available for Export Houses, Trading Houses and Star Trading Houses. All licences under duty exemption schemes are also transferable. In order to expedite the grant of licenses under the Scheme, standard input-output and value addition norms have been published for 2200 items and efforts are being made to increase the number of items covered under the standard input-output norms.

Export Oriented Unit (EOU) scheme and Export Promotion Zoze (EPZ) scheme have been liberalised and extended to agriculture, horticulture , acquaculture, poultry and animal husbandry.EOU and EPZ units may also export through Export Trading &

Star Trading Houses and install machinery on lease . Inter-unit transfers are also allowed. Definition of deemed exports is streamlined. Supplies to EOU/EPZ units, supplies against EPCG licencec and supplies against Advance Licence will be deemed exports.

The basic requirement of the EXIM policy is the export-importer code number . Registration-cum-membership certificate (RCMC) by EPCs is a basic requirement for benefits and concessions under the new policy . National campaign for quality awareness would be launched, and laboratories would be upgraded.

The EXIM policy (1992-1997) also allowed that certain categories of exports such as deemed exports, Exports Houses, Trading Houses and Star Trading Houses, Manufacturer-exporters with ISO 9000 or BIS 14000 or equivalent certification , and exports to ACU (Asian Clearing Union) countries would be eligible for issue of special import licenses to the extent of 5 to 20 per cent of the f.o.b. value of physical exports in order to enable them to import specified items in the restricted list. These licences would be freely tradable in the market. Under these special licenses, imports of 18 specific consumer durable items listed in the negative list have been allowed subject to payment of normal customs duty . These items interalia include gold, integrated monocoque buses, air-conditioning units of buses, diesel generating sets upto 1500 kva, electric portable generators upto 3.5 kva, spare parts for automobiles and tractors, computer systems including personal computers of cif value below $5000, integrated circuits and chips for clocks and time pieces, video magnetic tapes, video camera, electronic typewriters, electronic camera and electronic games etc. No special licences would be granted in respect of any ACU exports or deemed exports for which payment has been received in hard currency.

### (iii) Tariff Policy Reforms

. Not only the trade regime was complex with diverse licensing systems, the tariff structure was equally complex, irrational and difficult to administer. Identical items were subject to various rates of duty depending on end uses. Not only the average tariff rates were high as compared by world standards but also the dispersion was high and the duty structure was irrational . As a part of rationalisation in the budget for 1991-92 the general tariff rates were reduced by 5 per cent and the maximum rate was reduced to 150 per cent (basic plus auxiliary). Even after these changes the tariff rates were high by international standards and a high powered committee on Tariff Policy Reforms under the chairmanship of Dr. Raja Chelliah was set up by the Government to formulate measures for rationalisation and reduction of tariffs progressively to provide Indian industry with an appropriate environment to develop international competitiveness . As per the recommendations of the Committee , peak tariff levels ( basic plus auxiliary rates ) were reduced from 150 per cent to 110 per cent in 1992 and further to 85 per cent in 1993 with the exception of passenger baggage and alcoholic beverages . Import duties on capital goods, project imports, chemicals, basic feedstocks for petro-chemicals, many raw materials, ferrous metals, piece-parts and components for electronic industries have been reduced. Presently, capital goods are subject to average tariffs at the rate of 35 per cent ad valorem, project machinery 25 per cent, tools 4o per cent, electronic equipement 40 per cent and chemicals 15 per cent.

The Government proposes to reduce further the average and maximum tariff rates progressively in a sequence of yearly adjustments over the next five years to bring the average rates to levels comparable with those in developed countries and to simplify and rationalise the tariff structure with a view to reduce their variability and incidence of exemptions , to minimise the use of specific rates of duty and to harmonise tariffs with trade policies. Efforts would be made to widen the export base and to diversify both exports and imports markets .

## (iv) Financial Sector Reforms

On financial sector reforms the Narasimham Committee submitted its report last year and the Government has already laid it on the table of both the Houses of Parliament on December 17, 1991. The major recommendations of the committee are: (i) a four-tier hierarchy for the banking structure with 3 or 4 large banks including State bank of India at the top ( which is international in character ) and rural banks including Regional Rural Banks (RRBs) at the bottom ( confined to rural areas and mainly engaged in financing agriculture and related activities); (ii) supervisory functions over banks and financial institutions to be hived off to seperate quasi-autonomous body under the Reserve Bank of India (RBI); (iii) a phased achievement of 8 per cent capital adequacy ratio as recommended by the Bank for International Settlements (BIS); (iv) abolition of branch licensing policy; (v) phased reduction in Statutory Liquidity Ratio (SLR) starting from 1991-92; (vi) deregulation of interest rates which are to be related to Bank rate and patterned on the basis of guidelines given by the Chakravarthy Committee; (vii) competition among Development Financial Institutes (DFIs) which should adopt syndicating or participating (instead of consortium) approach; (viii) Industrial Development Bank of India (IDBI) to retain only its apex and refinancing role and delegate its direct lending activity to a separate corporate body and (ix) prudential guidelines governing the functioning of DFI's and (x) proper classification of assets and full disclosure and transparency of accounts for banks & DFIs.

In the budget for 1992-93 the SLR on incremental domestic liabilities of the commercial banks has been reduced from 38.5 per cent to 30 per cent . The floor level of interest rates on commercial advances has been reduced by one percentage point . Government control over capital issues including premium fixation has been dispensed with and additional powers have been given to SEBI to strengthen its capability .

Subsequently as a part of credit and monetary policy for the first half of 1992-93 , the RBI has announced a number of measures for the capital market and financial sector . The recommendations of the Task Force on Money Market Mutual Funds (MMMFs) have been examined by the RBI and a scheme for MMMFs has been announced indicating eligibility, structure, minimum and maximum size, maturity, membership, reserve requirements etc. The Government has also introduced Treasury Bills of varying maturity upto 364 days . The RBI has also proposed to introduce the risk asset ratio system for all banks as a capital adequacy measure broadly on the lines of the Basle Committee framework . As recommended by the Narasimham Committee , all banks are expected to achieve the capital risk asset ratio of 4 per cent not later than the end of March 1993 and 8 per cent by end March 1996. Essentially , under the proposed scheme, the balance sheet assets, non-funded items and other off-balance sheet exposures will be assigned risk weights according to prescribed percentages and the banks will have to maintain capital funds equivalent to the prescribed level of the aggregate of the risk weighted assets and other exposures on regular basis .

For greater disclosure of the financial position , banks have been directed to publish their profit and loss accounts and balance sheets in prescribed formats w.e.f. 31-03-1992 . As per recommendations of the Narasimham Committee , branch licensing policy has been abolished and banks have been given freedom to relocate branches or to open specialised branches as guided by overall national policy objectives and the need to cater to special requirements of modern globalised business .

The government has allowed reputed Foreign Institutional Investors (FIIS) including pension funds, mutual funds, asset management companies, investment trusts, nominee companies and incorporated / institutional portfolio managers to invest in the Indian capital market subject to the condition that they register with the Securities and Exchange Board of India (SEBI) and obtain RBI approvals under FERA. They are allowed to invest in all equity securities traded on the primary and secondary markets . These would include shares, debentures, warrants and schemes floted by domestic

mutual funds. There will be no restriction on the volume and no lock-in period for such investments. However, portfolio investments by the FII in the primary and secondary markets will be subject to an overall ceiling of 24 per cent of the issued share capital in any company . FII investing under the scheme enjoy a concessional tax rate of 20 per cent on dividend and interest, 10 per cent on long-term capital gains and 30 per cent on short-term capital gains.

Further reforms in the financial sector have been announced in the budget for 1993-94. A separate board for financial supervision is being created within the Reserve Bank of India. The Securities and Exchange Board of India (SEBI) will be given more regulatory powers. The budget has made provision for capital contribution of Rs.5.7 billion by the government to the nationalised banks during 1993-94 to meet the capital adequacy norms envisaged earlier. Public sector banks are also permitted to raise equity from the public up to a ceiling of 49 per cent. General permission is granted to nonresident investors to sell the shares by them under direct investment schemes through the stock market and through the same bank branch with which the original investment was made.

### (v) Public Sector Reforms

With liberalisation in the spheres of trade and industrial sectors , the role of public sectors would be confined only to 8 industries in the strategic and basic infrastructural sectors . Memorandum of Understanding (MOU) signed between the public undertakings and the Government would be made much more specific clearly indicating the corporate objectives and targets for both physical and financial performence . Specifically , the Government wants to establish a schedule of quantitative targets for the elimination of all budgetary transfers and loans to Central Public Enterprises beginning from 1992-93 . Government has also decided to disinvest 20 per cent of the shares held by it in selected public undertakings . The 1991-92 budget confirmed the government's decision to sell equities to the extent of Rs.25 billion through mutual funds, the budget for 1992-93 provided for a sale of Rs.35 billion of government equity and that for 1993-94 has provided further sale of Rs.35 billion of government equity.

## (b) Stabilisation Measures :

Since 1991-92 a number of fiscal and monetary policy measures were taken to rectify the external payments imbalance and to reduce overall fiscal deficits .

### (i) Fiscal Policy

The main thrust of the Budgets since 1991-92 was to reduce fiscal deficit from 8.5 per cent of GDP in 1990-91 to 6.4 per cent of GDP in 1991-92, further to 5 per cent of GDP in 1992-93 and further to 4.6 per cent of GDP in 1993-94 through expenditure control and additional resource mobilisation. Budget for 1993-94 announced further fiscal reforms with three objectives in mind - to place the economy back on a path of high growth , to ensure social justice and to achieve self reliance. Major policy measures introduced until now are summarised below :

Rupee has been made fully convertible for exporters and foreign exchange earners including workers abroad and a unified exchange rate system has been introduced w.e.f. March 1993. As a consequence the dual exchange rate system introduced in March 1992 has been abolished and rupee has been allowed to float fully in the market. All imports also will be paid for at the marmet rate. Foreign exchange earners earlier had to surrender 40 per cent of their earnings at the official exchange rate and convert 60 per cent at the market rate.

Since 1992 returning Indians and NRIs have been allowed to import gold upto 5 kg per passenger at an import duty of Rs.45 per gram , subsequently reduced to Rs.22

per gram, to be paid in foreign exchange earned abroad. Subsequently they have been allowed to import silver upto 100 kg per passenger. A Gold Bond Scheme has been introduced under which citizens can obtain tax-free bonds in return for gold. Government has reduced peak tariff levels ( basic plus auxiliary ) from 150 per cent to 110 per cent in 1992 and further to 85 per cent in 1993-94 with the exception of passenger baggage and alcoholic beverages . Import duties on capital goods, project imports, chemicals, basic feedstocks for petro-chemicals, raw materials, ferrous metals, components for electronics, agricultural machinery, life saving medical equipements, bulk drugs and drugs intermediates have been reduced substantially. The import duty on general capital goods has been reduced to 35 per cent from 55 per cent with a special 25 per cent rate for capital goods used by priority sector such as power generation.

Excise duties have been rationalised by merging basic and special excise duties, and have been reduced significantly on cars, buses, trucks and other automobiles, textiles, tyres and tubes, refrigerators, air-cnditioners, television sets, certain ferrous and non-ferrous metals, molasses, cosmetics and toilet preparations, tea and coffee etc. Excise duties also have been reduced on a large number of capital goods and instruments at a uniform reduction of 10 per cent with a 5 per cent reduction proposed for the power sector.

As regards direct taxes, budget for 1992-93 raised the exemption limit for income tax from Rs.22000 to Rs.28000, reduced income tax slabs from four to three and reduced maximum marginal tax rate from 50 per cent to 40 per cent. A presumptive tax system in respect of shop keepers and other retail business with an annual turnover below Rs. 5 lakhs was introduced under which the tax payer will give only brief particulars of his turnover and pay just Rs.1400 as tax for the year. The budget for 1993-94 increased standard deduction from Rs.12000 to Rs.15000 for salaried incomes while keeping marginal tax rates unchanged.

Budget for 1992-93 also rationalised wealth tax and capital gains tax. Productive assets are exempted from the wealth tax, and capital gains are computed by deducting an inflation indexed original cost or purchase price and costs of improvements of the asset from the sales price. The budget for 1993-94 did not propose any change to the income tax and corporate tax structure. However, certain concessions were annouced for selected sectors for purpose of growth with equity. Complete tax holidays for five years are offered as incentives for new investment in industrially backward areas and Union territories and for Software Technology Parks, Electronic Hardware Technology Parks ( in addition to Free Trade Zones) and power generation projects. The Government announced tax deductions ranging from 50 per cent to 100 per cent for contributions to higher education, 125 per cent for donations to approved scientific research institutions, 100 per cent exemption for contributions to national fund for communal harmony. Gift tax exemption has been raised to Rs.30,000 and one residential house has been exempted from the wealth tax.

### (ii) Monetary and Credit Policy

The Government has also adopted a strict monetary discipline. Major monetary and credit policies to curb overall demand and liquidity are indicated below :

Bank rate was increased from 10% to 11% w.e.f. July 4, 1991 and further to 12 per cent w.e.f. October 9, 1991. Consequently , the lending rates on both term loans and working capital ranged in between 11.5 per cent to 20 per cent (minimum) as against 10 per cent to 18.5 per cent (minimum). The floor rate of 20 per cent for a loan exceeding Rs. 2 lakhs was reduced to 19 per cent w.e.f. March 1,1992; 18 per cent w.e.f. October 9, 1992 and further to 17 per cent w.e.f. April 7, 1993 on consequent upon general fall in the rate of inflation. Term deposit rates across the board were also reduced accordingly and presently the maximum deposit rate is 11 per cent.

Until April 21, 1992 there were six slabs of credits with lowest category of credit limit upto Rs.7500 attracting an interest rate of 11.5 per cent and the highest slab

above Rs. 2 lakhs attracting interest rate of 19 per cent . As a part of further rationalising lending rate structure , six credit slabs with six lending rates were reduced to four credit slabs with four lending rates with effect from April 22, 1992 and further to 3 slabs with lending rates of 12, 16.5 and 17 per cent respectively w.e.f. April 8, 1993.

The minimum rate of interest on pre-shipment (upto 180 days) and Post-shipment credit (demand bills) , which was raised to 12.5 per cent w.e.f. August 5, 1991 , was further raised to 14 per cent w.e.f.October 9,1991 and further to 15 per cent w.e.f. April 22, 1992 , but was reduced to 14 per cent w.e.f. October 9, 1992 and further to 13 per cent w.e.f. March 1993 due to lower rate of inflation .

Deposit rates had also been liberalised w.e.f. 22-04-1992.
While interest on savings account was increased from 5 to 6 per cent , a maximum rate of 13 per cent was prescribed for term deposits and banks were allowed to determine the maturities and deposit rates subject to uniformity of rates for all customers. Consequent upon general fall in the rate of inflation , the ceiling rate on term deposit has been reduced to 12 per cent w.e.f.9 October 1992 and to 11 per cent w.e.f. March 1993.

Initially Government enhanced the cash margins ( from nil to 50%, further to 133 1/3 and 200 % ) on imports other than capital goods and increased the amount of deposits for opening Letters of Credit . With gradual improvements in the foreign exchange reserves , cash margins for imports under OGL were reduced from 200 per cent to 150 per cent w.e.f. Oct.9, 1991 and further to 50 per cent w.e.f. December 7 , 1991 and further to 25 per cent w.e.f. 1 January 1992 . Cash margins have been abolished with effect from February 12, 1992 . The 25 per cent surcharge on the rate of interest on all import finance imposed w.e.f. May 29, 1991 was also withdrawn w.e.f. February 13, 1992 .

In the past RBI had taken several credit control measures for mopping up excess liquidity and restrain the growth of money supply and credit . These include an increase in the statutory liquidity ratio (SLR) from 38 per cent to 38.5 per cent, reduction in non-food credit deposit ratio ( excluding export credits ) from 60 per cent to 45 per cent , imposition of Incremental Cash Reserve Ratio ( CRR) of 10 per cent over the usual CRR of 15 per cent on the increase in the demand and time liabilities of the scheduled commercial banks over the level reached on May 3, 1991 . In the budget for 1992-93 , SLR on incremental deposits was reduced from 38.5 per cent to 30 per cent. Subsequently all scheduled commercial banks have been exempted from the maintenance of the 10 per cent incremental CRR for any increase in their net demand and time liabilities over the level as on April 17, 1992 . Efective SLR on the levels of net demand and time deposits as on April 4, 1992 was reduced by 0.75 per cent in three stages on January 9, February 6 and March 6, 1993 and effective CRR would be reduced by 0.25 per cent in three stages on October 17, November 14 and December 12, 1992 releasing more funds for lending by the commercial banks. Subsequently effective SLR of 37.75 on the net demand and time deposits as on April 8, 1993 has been targetted to be reduced by 1 per cent in four stages by August 21, September 18, October 16 and November 13, 1993; and effective CRR of 15 per cent would be reduced by 1 per cent in two stages by April 7 and May 15, 1993 to enable commercial banks to lend more funds to the private sector. SLR is targetted to be reduced to 25 per cent over a three-year period.

RBI also announced from time to time various selective credit control measures to check the inflationary pressures on selected essential commodities like oilseeds, edible oils, foodgrains, pulses, cotton and kapas .

There was a freeze on loans for consumer durables, shares and real estate at levels obtaining on October 9, 1991, and the banks were free to determine the interest rates for such loans. It was also stipulated in October 1991 that bank credits to refinance

companies other than hire purchase and equipment leasing companies should not exceed three times the net worth . A number of consumer goods industries have been adversely affected in the recent period by both supply and demand constraints . As a result it was decided to withdraw restrictions on bank credits for purchase of consumer durables w.e.f. 22-04-1992 , but restrictions relating to real estate and shares/bonds/debentures continued to remain in force .

### (iii) Exchange Rate Adjustment

A sharp adjustment of the rupee against major currencies was carried out by the Reserve Bank of India in two phases; the first on July 1, 1991 in which the value of the rupee declined by about 7 to 9 per cent against the major currencies (the pound sterling, the US dollar, the deutsche mark, the French Franc and the yen) and the second on July 3, 1991 in which the value of the rupee declined by about 11 per cent against the major currencies. As a result, between 28th June and 3rd July, 1991, the value of the rupee declined by about 17 to 19 per cent vis-avis the five major currencies while these major currencies appreciated vis-a-vis the rupee by abour 21 to 23 per cent. These adjustments in the external value of the rupee were effected with the following objectives in view :(i) to maintain India's external competitiveness ; (ii) to restore confidence in the rupee and (iii) to shore up the level of reserves .

As mentioned earlier the budget for 1992-93 made the Rupee partially convertible w.e.f. March 1992. Under the new system, 40 per cent of all foreign exchange earnings were required to be surrendered at the official exchange rate and the remaining 60 per cent were converted at a market determined rate . The foreign exchange surrendered at official exchange rate was utilised to import essential items like petroleum products, defence goods, fertilers and drugs. All other imports of raw materials , components and also capital goods were made freely importable on OGL but foreign exchange for these imports had to be obtained from the market. There was a specified negative list of items which continued to be imported only against licences . Foreign exchange required for other payments on private account including travel, debt service payments , dividends, royalties and other remittances had to be obtained at the market rate .

With effect from March 1993, dual exchange rate system as described above has been abolished and a unified exchange rate system has been introduced. Rupee has been made fully convertible on trade account subject to negative list of imports and exchange rate of rupee has been allowed to float fully in the market. All foreign exchange transactions are put through the authorised dealers at market determined exchange rates. The authorised dealers are free to retain entire foreign rxchange receipts without any obligation to surrender any part to the Reserve Bank of India, can open foreign currency accounts in the name of authorised buyers in India or foreign companies executing projects in India, and can open nonresident accounts in the name of all non-residents irrespective of their nationality.

The overall Nominal Effective Exchange Rate of Rupee (NEER) , calculated as the weighted geometric mean of the exchage rate of rupee for India's ten major trading partners, depreciated by 31.8 per cent while the corresponding Real Effective Exchange Rate (REER) depreciated by 21.2 per cent during 16-month period from July 1991 to October 1992. There was substantial fall in the both NEER and REER in July 1991 following two-stage discrete downward adjustment of the exchange rate of rupee . Both NEER and REER also registered significant decline in March 1992 due to introduction of the dual exchange rate of rupee and also in March 1993 after the introduction of a unified exchange rate and full convertibility of rupee on trade account **(Table -4 ).**

The Government is committed to move towards convertibility of rupee on the current account within a span of two to three years once there is stability in balance of

## Table - 4

Trends in Nominal and Real Effective Exchange Rate of Rupee
( Base 1965 = 100 )

| Year/month | 5-country index | | Rate of Change | |
|---|---|---|---|---|
| | NEER | REER | NEER | REER |
| 1985 | 100.00 | 100.00 | | |
| 1986 | 82.14 | 89.51 | -17.86 | -10.49 |
| 1987 | 72.61 | 83.57 | -11.60 | -6.64 |
| 1988 | 64.08 | 78.43 | -11.75 | -6.15 |
| 1989 | 57.69 | 75.16 | -9.97 | -4.17 |
| 1990 | 52.03 | 69.99 | -9.81 | -6.88 |
| 1991 | 39.47 | 59.09 | -24.14 | -15.57 |
| 1992 | 31.07 | 51.55 | -21.28 | -12.76 |
| 1991 | | | | |
| January | 47.32 | 66.39 | -9.05 | -5.14 |
| February | 45.36 | 64.77 | -4.14 | -2.44 |
| March | 46.32 | 66.49 | 2.12 | 2.66 |
| April | 45.53 | 65.79 | -1.71 | -1.05 |
| May | 44.37 | 64.34 | -2.55 | -2.20 |
| June | 44.17 | 64.70 | -0.45 | 0.56 |
| July | 36.25 | 54.02 | -17.93 | -16.51 |
| August | 35.70 | 55.12 | -1.52 | 2.04 |
| September | 34.96 | 54.74 | -2.07 | -0.69 |
| October | 34.65 | 54.60 | -0.89 | -0.26 |
| November | 34.12 | 53.79 | -1.53 | -1.48 |
| December | 33.65 | 53.34 | -1.38 | -0.84 |
| 1992 | | | | |
| January | 33.42 | 54.04 | -0.68 | 1.31 |
| February | 33.86 | 54.86 | 1.32 | 1.52 |
| March | 32.01 | 52.02 | -5.46 | -5.18 |
| April | 30.94 | 50.29 | -3.34 | -3.33 |
| May | 30.85 | 50.43 | -0.29 | 0.28 |
| June | 30.37 | 50.00 | -1.56 | -0.85 |
| July | 29.81 | 49.65 | -1.84 | -0.70 |
| August | 29.77 | 50.11 | -0.13 | 0.93 |
| September | 29.74 | 50.45 | -0.10 | 0.68 |
| October | 30.32 | 51.98 | 1.95 | 3.03 |
| November | 31.32 | 53.50 | 3.30 | 2.92 |
| December | 30.72 | 52.35 | -1.92 | -2.15 |
| 1993 | | | | |
| January | 30.40 | 52.30 | -1.05 | -0.10 |
| February | 29.95 | | -1.49 | |
| March | 28.23 | | -5.73 | |
| April | 27.83 | | -1.41 | |

Note: These are export-weighted indices, and the US $, Japanese yen, Pound sterling, Deutsche mark and French franc are included in the index with weights 0.35, 0.30, 0.17, 0.12 and 0.06.

payments and overall growth of the economy, lower level of fiscal deficit, lower rate of money supply and the rate of inflation around 5 per cent .

### (iv) Administered Price Policy

Over the years, price control has been removed in respect of most commodities . In respect of some essential items such as sugar, wheat and rice , the dual price system has been introduced under which certain specified amounts are sold to the people through the public distribution system at fair prices and the rest are sold by the manufactures at open market prices . In these cases both the procurement prices and issue prices are fixed by the government . Apart from these , price control now exists only for bulk drugs , coal, uric fertilisers , petroleum products and some non ferrous metals. Also, the tariff rates of public utilities like Railways, telecommunications, State Electricity Boards , State Road Transport Undertakings , water supply and irrigation etc. are fixed by the Government . Complete abolition of price and distribution controls on cement and aluminium in 1989 was a major advance in price policy . The Government has also abolished completely the price control on iron and steel while retaining partial distribution control to meet the requirements of the priority sectors and simultaneously reduced the import duties on pig iron, steel and scrap with effect from January 16, 1992. Fertiliser has been partially decontrolled w.e.f. August 1992 with abotion of import duties on raw materials and reduction of import duties on fertiliser project imports.

### (v) Measures Contributing to Return of Flight Capital

Outflow of capital, specifically outflows from the non-residens' accounts held with Indian bank, started in October 1990 reflecting an erosion in international confidence to some extent. Consequently the restoration of international confidence bacame the objective of a stabilisation package instituted in July 1991 encompassing various sections of the economy. The India Development Bonds (IDB) issued by the State Bank of India and the Remittances of foreign Exchange (Immunities) Scheme both launched in October 1991 were measures taken specifically to reverse the outflow of capital. Collections under IDB, recouped the entire loss of $1.6 billion from the FCNR deposits. The IDB provided immunity to the investor from taxes and the source of funds. FCNR deposit with a longer maturity of 5 years had several attractive features such as a higher interest than the then prevailing rate on FCNR deposits of three years maturity, tradeability in India and availability of rupee loans from banks at a concessional rate of interest against the IDB. The Immunity Scheme allowed an immunity on the similar lines to allow one time transfer of foreign exchange held outside the country. Accruals under the Scheme amounted to $863 million. Also punitive interest rates on post-shipment export credit on exporters affecting realisation of proceeds after normal usance periods were instrumental in preventing the withholding of exports proceeds. The introduction of the partial convertibility of rupee in March 1992 and full convertibility of rupee on trade account in March 1993 also helped in quickening repatriation of export credits and larger inflow of remittances from abroad.

Structal reforms and liberalisations in trade, industry, financial and public sectors alongwith comprehensive amendments in the Foreign Exchange Regulation Act 1973, permission of imports of gold and silver by the non-residends after payment of duties in foreign exchange, Voluntary Deposits (Immunities and Exemptions) Act 1991, Gold Bond Scheme, currently in force, and automatic approval of foreign equity up to 51 per cent in high priority industries and even up to 100 per cent in selected industries by NRIs and others have also encouraged the return of flight capital as well as larger inflow of foreign capital. Between August 1991 and February 1993 approvals of foreign direct investment (FDI) amounting to $3.5 billion have been accorded indicating an augmented inflow of foreign capital in future. Net inflows under the FCNRA

Scheme have also started since October 1992 and amounted to $ 140 million compared with net outflow of $1.44 billion under the NRI deposits.

## 2 Foreign Direct Investment (FDI)

### A. Regulatory Framework

#### General Background

India's policy on foreign direct investment had been to permit foreign private interests on a selective basis in areas beneficial to the Indian economy. Although there is no separate law governing the policy on FDI, it has generally been guided by the industrial policy statements and five-year plans issued from time to time. The basic approach to FDI was first laid down in the Industrial Policy Statement 1948. The thrust of the policy was to welcome foreign private investment on a selective basis while maintaining majority ownership and control in Indian hands.

The First Five-Year Plan 1951-1956 elaborated that foreign capital should be routed through high priority areas. During 1961-1970 greater emphasis was laid in channelising foreign capital to areas which contributed to employment generation and where more investment was required to achieve the plan targets. The Government also issued illustrative lists of industries in which FDI and technical collaborations would be allowed.

During 1971-1980 with to view to help the balance of payments problems the government liberalised the guidelines for foreign investment where entities agreed to undertake exports as a major share of production. In such cases it was decided to allow majority foreign equity participation even in low priority, non-essential and trading activities. With effect from January 1974, foreign equity participation has been governed by the Foreign Exchange Regulation Act (FERA) 1973. As per provisions of Section 29 of FERA, foreign companies and Indian companies with non-resident participation in excess of 40 per cent of equity were required to obtain prior approval from the Reserve Bank of India to carry on business. However, foreign equity holdings upto a maximum of 74 per cent were allowed in certain categories of companies and more than 74 per cent was allowed in 100 per cent export oriented units. Recently several clauses of FERA have been amended after the liberalisation of policies on FDI.

To promote investments by non-resident Indians (NRIs) and entities owned predominantly (60 per cent or more) by NRIs and Overseas Corporate Bodies (OCBs), the Government granted special incentives for NRI/OCB investment into India during 1980's. In general NRIs/OCBs were allowed to invest freely in Indian companies without the need for a technology transfer. 100 per cent foreign equity was permitted if the investment was on a non-repatriable basis.

#### Liberalisation of FDI Policy and Automatic Scheme 1991

In July 1991 as part of new industrial policy it was announced that foreign investment approval will be given for direct foreign investment upto 51 per cent foreign equity in 35 high priority areas in engineering, chemicals, food processing and tourism sectors ( see **Appendix-1** ) provided that the foreign equity covers fully the imports of capital goods , and outflows on account of dividend payments are balanced by export earnings over a period. Subsequently the requirement for balancing dividend payments has been dispensed with except for 22 consumer goods industries listed in **Appendix-2**. The facility has also been extended to NRIs and OCBs in which NRIs possess a predominant share. Foreign companies and investors have also been enabled to own offices, buy real estate and launch new companies.

Private foreign investment is allowed in refineries up to 26 per cent of equity. Certain discovered oil and gas fields have been opened up for development by private foreign parties on a production-sharing basis. Multinationals setting up manufacturing facilities and peripherals as 100 per cent export-oriented units (EOUs) are allowed to sell upto 30 per cent of their production in the domestic tariff area (DTA). Foreign companies setting up component manufacture are allowed to sell up to 35 per cent of their production in DTA. Government has framed guidelines for setting up electronic hardware technology parks (EHTPs) to make them an attractive investment proposition for global electronic giants.

Foreign ownership of 100 per cent is allowed in the power sector, 100 per cent Export Oriented Units (EOU) and selected high technology industries such as hydrocarbon sector, exploration and development, production, refining and marketing of oil and gas. Automatic permission is to be given for foreign technology agreements upto certain ceilings covering the same high priority areas . No government permission is necessary for hiring foreign technicians and full powers have been delegated to the RBI. Existing companies can also raise foreign equity upto 51 per cent subject to certain prescribed guidelines. Higher foreign equity upto 100 per cent in 35 specified areas and percentage of foreign equity in other cases is determined on a case by case.

NRIs and overseas corporate bodies (OCBs) predominantly owned by them are also permitted to invest upto 100% foreign equity in high priority industries with full benefits of repatriation of capital invested and income accruing thereon. Automatic approvals are accorded by the RBI subject to certain parameters.

As a consequence of liberalisation , foreign investment upto 51 per cent foreign equity is automatically permitted by the RBI. Other proposals are considered and approved on merits by the Secretariat for Industrial Approvals (SIA) in the Department of Industrial Development . In addition, a Foreign Investment Promotion Board ( FIPB ) has been created in the Prime Minister's Office to invite, negotiate and facilitate mega investments from international companies on the basis of commercial viability and mutually acceptable profitability. The Government has also set up an empowered committee under the chairmanship of the Finance Minister to consider and approve FDI cases involving total investment up to $100 million. FDI projects involving higher investment outlays would continue to be approved by the FIPB.

During 1992-93 further initiatives as indicated below have been taken to foster foreign investment in India : (a) Existing companies have been allowed to raise foreign equity upto 51 per cent at prices determined by the shareholders. (b) The general condition of dividend balancing has been withdrawn for items other than consumer goods w.e.f. June 26, 1992. (c) Disinvestment of equity by foreign investors has been allowed at market rates on stock exchanges w.e.f. September 15, 1992. (d) India has signed on April 13, 1992 the Multilateral Investment Guarantee Agency Protocol for the protection of foreign investments. (e) Provisions of FERA have been liberalised through an Ordinance datedJanuary 9, 1993 as a result of which companies with more than 40 per cent of foreign equity can operate like any other Indian Company. (f) Foreign companies have been allowed to use their trade marks on domestic sales w.e.f. May 14, 1992.

As mentioned earlier, the government has allowed reputed Foreign Institutional Investors (FIIS) including pension funds, mutual funds, asset management companies, investment trusts, nominee companies and incorporated / institutional portfolio managers to invest in the Indian capital market subject to certain conditions. FIIs investing under the scheme enjoy a concessional tax rate of 20 per cent on dividend and interest, 10 per cent on long-term capital gains and 30 per cent on short-term capital gains.

Indian corporate sector has also been encouraged during 1992-93 to access global capital markets through Global Depository Receipt Mechanism (GDRM) as described below : (a) Foreign investors can invest in Indian companies through GDRM route without any lock-in period for equities. (b) These Receipts can be listed on any of the overseas stock exchanges and denominated in any hard foreign currency. However, the underlying shares would be denominated only in Indian rupees. (c) Private placement with US investors is also permissible in accordance with the US Securities Act as per international practice. (d) Short term capital gains are taxable at the rate of 65 per cent alongwith business income. Long-term capital gains (computed on holdings for more than 12 months) are taxable at the rate of 10 per cent.

The Government has also liberalised the guidelines for Indian joint ventures abroad, providing for automatic approval in 30 days for all cases involving an equity of upto $2 million with cash remittance component of $ 0.5 million . The remainder of the Indian direct foreign investment may be contributed in the form of Indian plant, machinery and equipement, export of goods to the foreign concern or payments to the Indian party as fees, royalties and commissions for the supply of technical know-how, consultancy, managerial or other services . It is expected that these liberalised norms would allow Indian companies greater flexibility not only for internationalising their operations but also in facilitating the export drive by setting up trading centres . Till December 31, 1991 there were 161 overseas joint ventures and another 84 were under implementation . Total equity invested by Indian companies in these joint ventures is estimated at around Rs.1.5 billion . Of the total of 245 joint ventures , as many as 130 were in Asia , while Europe accounted for 58, Africa for 37 and USA 12. Malaysia, SriLanka, Singapore, Thailand and Nigeria are India's major joint venture centres .

## Operating Environment and General Restrictions

FDI can be in the form of cash or capital goods and there is no minimum cash requirement. Branch operations are permitted only in a few specified service industries such as banking, shipping, airlines etc. or export-oriented ventures. Certain industries, as mentioned under the industrial policy, require industrial licence by their nature, while others require such a licence only if they are located in the proximity of a large city. This licensing applies uniformly to domestic and foreign investment. Also certain products are reserved for the small scale sector and large undertakings are ordinarily permitted equity participation upto 24 per cent of total shareholding in these.

There is no restrictions regarding access to domestic markets or using foreign brand names. A work permit as such is not required for expatriate employees, but permission to stay is required from the Government where the period of stay is more than three months. RBI permission is also required to employ expatriates where remittance of salary in foreign exchange is envisaged. Appoitment of expatriates in high managerial positions such as Chief Executive and full-time Directors and the level of their remuneration also require government approval.

## Legislations Governing FDI

India has no specific legislation governing FDI other than the Foreign Exchange Regulation Act (FERA) which restricted transactions in foreign exchange and other activities in India of non-residends including foreign companies and of locally incorporated companies having more than 40 per cent foreign equity. Provisions of FERA have been liberalised through an ordinance dated 9 January 1993 as a result of which companies with more than 40 per cent of foreign equity are also now treated on par with fully Indian owned companies. India does not provide any formal investment guarantee to foreign investors. India is a signatory of MIGA, but is yet to obtain its membership.

India has signed the Multilateral Investment Gurantee Agency (MIGA) convention and expects to join MIGA formally as soon as membership procedures are completed. Several countries, including the UK, Germany and the United States, have expressed an interest in signing bilateral investment treaties.

### Repatriation Issues

India permits free repatriation of prifits after payment of the applicable taxes for all approved investments other than in few specified industries. In these consumer goods industries, repartiation of profits is allowed only out of net foreign exchange earnings during an initial period of seven years from commencement of production. However, there are procedural requirements for obtaining RBI approval for repatriation of branch profits or dividends by an Indian company which has more than 40 per cent of equity. On disinvestment, capital may be repatriated subject to the sale price being considered reasonable by the RBI and payment of applicable taxes.

### Support provided by Government Agencies

Certain government agencies like the India Investment Centre play a promotional role in attracting foreign investment to India. An Investment Promotion and Project Monitoring Cell has also been set up in the Department of Industrial Development to provide information/ clarifications and to assist entrepreneurs. In some states, state level agencies assist investors by co-ordinating the granting of requisite clearances at the state level.

## B. Incentives and Concessions for FDI

India does not offer any special incentives to the foreign investment. Most manufacturing enterprises are allowed 30 per cent deduction in computing taxable profits for the first ten years from the commencement of production. Certain specified industries such as oil exploration etc. are eligible for lower rates of corporate tax. India also provides full exemption for all exports profits. Full exemption/refund of import duties is available for raw materials, components and capital goods imported for manufacture of goods for exports. Duty drawback on domestically procured inputs is also available for exports.

### Corporate Income Tax

For locally incorporated companies, closely held companies are subject to an efective rate of tax of 57.5 per cent ( basic rate of 50 per cent plus surchange at 15 per cent ) and widely held companies are subject to an effective rate of 51.75 per cent (basic 45 per cent plus surcharge 15 per cent). Dividends paid by these companies are taxed again in the hands of the recipient, though inter-corporate dividends are exempted under certain conditions. Foreign branches are taxed at a flat rate of 65 per cent on branch income. There is no withholding tax on remittance of branch profits but evidence of payment of applicable tax is required. Depreciation is allowed on all industrial buildings and machinery at specified rates for all types of business using the Written-Down Value (WDV) method.

An Indian company is taxed on its worldwide income. A foreign company is taxed only on income that is accrued in India or that is deemed to accrue in India. Double taxation of foreign income is avoided by means of foreign tax credits.

### Personal Income Tax

A resident (staying for more than 182 days in an year) is taxed on his world-wide income if he is also ordinarily resident in India (e.g. if he maintains resident status for 9 out of 1o preceding years). A nonresident is taxed only on income that is received

in India. Though the entire remuneration is taxable, concessional treatment is accorded to leave passage, reimbursement of medical expenses and benefits received in kind such as house, car, furnished housing, utilities etc. A standard deduction is available to all employees equal to one-third of salary or Rs. 15,000 whichever is less. The taxable incomes upto Rs.28000 is exempted, and marginal rates for higher incomes are 20 per cent for incomes between Rs.28001 and Rs.50000, 30 per cent for incomes between Rs.50001 and Rs.100000, and 40 per cent for incomes exceeding Rs.100000. A tax deduction is alowed at the rate of 20 per cent on all elibible savings subject to a limit of Rs.60000 savings per annum. A surcharge of 12 per cent on net income tax is payable (except for nonresidents) where taxable income exceeds Rs.100000.

### Withholding Taxes

Income of foreign companies by way of dividends, interest, royalty and other technical know-how fee taxable in India is subject to withholding tax rates as indicated below:

| Countries | Dividends | Interest | Royalties Technical fees |
|---|---|---|---|
| Non-Treaty Countries | 25% | 25% | 30% |
| Treaty Countries | 10-25% | 10-25% | 10-30% |

India has tax treaties with about 30 countries including Australia, Canada, France, Germany, Korea, Italy, Japan, U.K. and U.S.A. Most treaties provide for lower rates of with holding taxes provided the recipient has a specified minimum.

### Capital Gains Tax

Capital gains are computed by deducting an inflation indexed original cost from the sales price of assets. In the case of non-residends, no indexation for inflation is available but prot ection is given against fall in the value of rupee vis-a-vis the foreign currency in which the asset was acquired. A distinction is made between short-term and long-term capital gains. Foreign institutional investors are taxed 20 per cent on investment income, 10 per cent on long-term capital gains, and 30 per cent on short-term capital gains ( compared with 65 per cent capital gains tax earlier).

## C. FDI Inflows into India

Due to restrictive policy on foreign investment, inflow of foreign capital was not significant until 1980's. However, over the last two decades FDI inflows into India have been steadily increasing, and since the initiation of policy reforms on FDI in July 1991, FDI approvals have increased manifold. Details of country-wise and sector-wise approvals of foreign investment during the period 1980-1993 are indicated in **Annexture Tables A-2 to A-8.** In the post-policy period i.e. August 1991 toFebruary 1993 the Government has approved as many as 2358 foreign collaboration proposals including 991 cases for forign equity participation. Total FDI approved at Rs.66.8 billion in the post-policy period August 1991- February 1993 is more than five times the total foreign investment approved in the last decade (1981-1990) which was only Rs. 12.7 billion . Nearly 80 per cent of the approvals are in the priority sectors such as energy, electrical equipments, telecommunication, transport, fertilisers, industrial machinery, textiles and food processing. Country-wise break-up indicates that FDI approvals in respect of USA, Switzerland, Japan, UK, Netherlands,

Germany, Australia, Malaysia, Singapore, Hongkong, Sweden and South Korea showed quantum jump.

Trends of total number of foreign collaborations, FDI number and inflows during 1965-1992 are summarised in **Table-5**. It is observed from the table that there has been signicant increase of FDI approvals during 1991-1992. Country-wise cumulative approvals during 1951-1992 given in **Table-6** indicate that over the years USA has remained the highest contributor of FDI to India with a share of 30.7 per cent in total FDI inflows. USA is followed by Japan and Switzerland with a share of about 13.5 per cent each. Total FDI flows from the Western European countries have remained around 30 per cent.

Firm estimates of actual realisation of FDI flows and stocks are available only upto the end of March 1989. The total stock of FDI estimated by RBI (**Table-7A and Table-8A**) amounted to Rs.23 billion at the end of March 1989 compared with Rs.5.7 billion at the end of March 1964. A number of foreign financial collaboration proposals have been approved by the Government of India in recent years. A major part of FDI in Foreign Controlled Rupee Companies (FCRCs) was on account of retained earnings. For instance, of the total stock of FDI in FCRCs amounting to Rs.22.5 billion as on March 31, 1989, as much as Rs.13.7 billion was on account of retained earnings. The share of equity at Rs.8.8 billion was only 39 per cent. The country-wise data on stocks of FDI are presented in **Table-7B** and cross classification of FDI by country and industry are given in **Annex Table A-9**. The important countries which had sizeable stock of FDI in India as on March 1989 were UK, USA, Germany, Japan, Sweden, Switzerland, Canada, Netherlands and France. Industry-wise distribution indicated that the manufacturing sector was, by and large, the most important recipient with investment concentrated mainly in chemicals and allied products, machinery and machine tools, electrical goods and machinery and transport equipement.

An analysis of foreign collaborators in India till 1990 shows that the major foreign investors were: Lever Brothers, Philips, Glaxo, Chloride, Pfizer, Siemens, Toyota Motor, Suzuki Motor, Nissan Motor, Honda Motor, Toshiba and Mitsubishi etc. Some of the multinationals who have since arrived in India are: Itochu (formerly C. Itoh & Company), Fujitsu Ltd., Sanyo, Nippondenro, Mazda, Yamaha of Japan; Baldurion BV of the Netherlands; Kellog CO., IBM, General Electric, Shell, Hewlett Packard and Amerindia International of the U.S.A. and Telecom Malaysia of Malaysia. Many of the foreign companies from USA, Australia and Sweden have also been allowed to set up power projects in India.

## D. Impact of FDI

As mentioned earlier, FDI constitutes insignificant share of gross domestic investment (GDI) in India. During 1980-1990 the share of FDI in GDI was in the range of only 0.03 to 0.34. Share of FDI approvals increased to 2.1 per cent of GDI in 1992, although actual realisation was about $500 million.

Foreign investment contributes immensely to the process of development in a developing country by making available scare foreign exchange and technology. However, it also involves an outgo of foreign exchange in the form of dividend remittances, royalty and technical service fees. **Table-9** shows the various inflows and outflows by Foreign Controlled Rupee Companies (FCRCs) as obtained from the Surveys conducted by the RBI for six years 1982-83 to 1987-88. During the first five years, the net outgo of foreign exchange contracted as a result of the equity investment, but it never resulted in a net inflow of foreign exchange. Only in 1987-88 the size of equity investment was large enoigh to result in a net inflow of foreign exchange. Dividend payment accounted for the largest share (47.5 per cent) of the total payments during the period. Royalty and technical fee taken together accounted for another 12.5 per cent of total payments. Professional and consultation fees and travelling expenses were also sizeable.

**Table - 5**

Foreign Collaboration Approvals in India : 1965-1993

| Year | Total number of Collaborations | Number of cases with FDI | Percentage of Cases with FDI | FDI Amount (Rs.Million) |
|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 |
| 1965 | 241 | 71 | 29.5 | |
| 1966 | 282 | 49 | 17.4 | |
| 1967 | 182 | 62 | 34.1 | |
| 1968 | 131 | 30 | 22.9 | |
| 1969 | 134 | 29 | 21.6 | |
| 1970 | 183 | 32 | 17.5 | |
| 1971 | 245 | 46 | 18.8 | |
| 1972 | 257 | 36 | 14.0 | |
| 1973 | 265 | 34 | 12.8 | 28.2 |
| 1974 | 359 | 55 | 15.3 | 67.1 |
| 1975 | 215 | 27 | 12.6 | 31.8 |
| 1976 | 277 | 39 | 14.1 | 72.7 |
| 1977 | 267 | 27 | 10.1 | 40.0 |
| 1978 | 387 | 44 | 11.4 | 94.1 |
| 1979 | 267 | 32 | 12.0 | 56.4 |
| 1980 | 526 | 73 | 13.9 | 89.2 |
| 1981 | 389 | 57 | 14.7 | 108.7 |
| 1982 | 590 | 113 | 19.2 | 628.1 |
| 1983 | 673 | 129 | 19.2 | 618.7 |
| 1984 | 752 | 151 | 20.1 | 1130.0 |
| 1985 | 1024 | 238 | 23.2 | 1260.7 |
| 1986 | 957 | 240 | 25.1 | 1069.5 |
| 1987 | 853 | 242 | 28.4 | 1077.1 |
| 1988 | 926 | 282 | 30.5 | 2397.6 |
| 1989 | 605 | 194 | 32.1 | 3166.7 |
| 1990 | 666 | 194 | 29.1 | 1283.2 |
| 1991 | 950 | 289 | 30.4 | 5341.1 |
| 1992 | 1520 | 692 | 45.5 | 38875.4 |
| Total | 14123 | 3507 | 24.8 | 57436.3 |

Table -6

Foreign Collaborations and Direct Foreign Investment since 1951

| COUNTRY | Number of foreign Collaborations : 1951-1992 | | Direct Foreign Investment (equity) 1975-1992 | |
|---|---|---|---|---|
| | Number | Percent | $ Million | Percent |
| (1) (2) | (3) | (4) | (5) | (6) |
| 1 United States of America | 3472 | 20.02 | 611.63 | 30.69 |
| 2 Japan | 1489 | 8.59 | 268.41 | 13.47 |
| 3 Switzerland | 919 | 5.30 | 266.00 | 13.35 |
| 4 Germany * | 3193 | 18.41 | 124.46 | 6.24 |
| 5 United Kingdom | 3562 | 20.54 | 84.71 | 4.25 |
| 6 Italy | 770 | 4.44 | 58.46 | 2.93 |
| 7 France | 831 | 4.79 | 33.16 | 1.66 |
| 8 Denmark | 177 | 1.02 | 18.73 | 0.94 |
| 9 Russia * | 114 | 0.66 | 13.29 | 0.67 |
| 10 Canada | 165 | 0.95 | 4.71 | 0.24 |
| 11 Non-Resident Indians (NRIs) | 289 | 1.67 | 200.60 | 10.07 |
| 12 Others | 2362 | 13.62 | 308.84 | 15.50 |
| Total | 17343 | 100.00 | 1993.00 | 100.00 |

## TABLE 7A FOREIGN DIRECT INVESTMENT—INDUSTRY-WISE (Rs Crores)

| INDUSTRY | END MARCH | | | VARIATION | | | |
|---|---|---|---|---|---|---|---|
| | | | | 1987-88 | | 1988-89 | |
| | 1987 | 1988 | 1989 | AMOUNT | PER CENT | AMOUNT | PER CENT |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| I. PLANTATIONS | 153 | 171 | 200 | 18 | 11.76 | 29 | 16.96 |
| II. MINING | 6 | 6 | 7 | — | — | 1 | 16.67 |
| III. PETROLEUM | 2 | 1 | 2 | -1 | -50.00 | 1 | 100.00 |
| IV. MANUFACTURING | 1,492 | 1,768 | 1,990 | 276 | 18.50 | 222 | 12.56 |
| 1. FOOD & BEVERAGES | 114 | 120 | 129 | 6 | 5.26 | 9 | 7.50 |
| 2. TEXTILE PRODUCTS | 81 | 91 | 92 | 10 | 12.35 | 1 | 1.10 |
| 3. TRANSPORT EQUIPMENT | 173 | 199 | 245 | 26 | 15.03 | 46 | 23.12 |
| 4. MACHINERY & MACHINE TOOLS | 210 | 249 | 294 | 39 | 18.57 | 45 | 18.07 |
| 5. METALS & METAL PRODUCTS | 85 | 124 | 120 | 39 | 45.88 | -4 | -3.23 |
| 6. ELECTRICAL GOODS & MACHINERY | 207 | 236 | 286 | 29 | 14.01 | 50 | 21.19 |
| 7. CHEMICALS & ALLIED PRODUCTS | 516 | 604 | 647 | 88 | 17.05 | 43 | 7.12 |
| 8. OTHERS | 106 | 145 | 177 | 39 | 36.79 | 32 | 22.07 |
| V. TRADING | 7 | 9 | 19 | 2 | 28.57 | 10 | 111.11 |
| VI. CONSTRUCTIONS & TURNKEY PROJECTS | 16 | 29 | 34 | 13 | 81.25 | 5 | 17.24 |
| VII. TRANSPORT | 12 | 12 | 14 | — | — | 2 | 16.67 |
| VIII. UTILITIES | 11 | 11 | 3 | — | — | -8 | -72.73 |
| IX. FINANCIAL INSTITUTIONS | | | | | | | |
| X. OTHERS | 43 | 38 | 33 | -5 | -11.63 | -5 | -13.16 |
| TOTAL | 1,742 | 2,045 | 2,302 | 303 | 17.39 | 257 | 12.57 |

## TABLE 7B FOREIGN DIRECT INVESTMENT : COUNTRY - WISE

(Rs.Crores)

| COUNTRY | END MARCH | | | VARIATION | | | |
|---|---|---|---|---|---|---|---|
| | | | | 1987-88 | | 1988-89 | |
| | 1987 | 1988 | 1989 | AMOUNT | PER CENT | AMOUNT | PER CENT |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| 1. U.K. | 901 | 1,039 | 1,127 | 138 | 15.32 | 88 | 8.47 |
| 2. U.S.A. | 332 | 396 | 460 | 64 | 19.28 | 64 | 16.16 |
| 3. CANADA | 46 | 44 | 55 | -2 | -4.35 | 11 | 25.00 |
| 4. FRANCE | 12 | 14 | 13 | 2 | 16.67 | -1 | -7.14 |
| 5. W. GERMANY | 154 | 187 | 229 | 33 | 21.43 | 42 | 22.46 |
| 6. NETHERLANDS | 29 | 41 | 39 | 12 | 41.38 | -2 | -4.88 |
| 7. SWEDEN | 51 | 56 | 81 | 5 | 9.80 | 25 | 44.64 |
| 8. SWITZERLAND | 65 | 79 | 80 | 14 | 21.54 | 1 | 1.27 |
| 9 JAPAN | 64 | 83 | 112 | 19 | 29.69 | 29 | 34.94 |
| 10. OTHERS | 88 | 106 | 106 | 18 | 20.45 | — | — |
| TOTAL | 1,742 | 2,045 | 2,302 | 303 | 17.39 | 257 | 12.57 |

## TABLE 8A

### SECTORAL DISTRIBUTION OF THE STOCK OF FOREIGN DIRECT INVESTMENT IN INDIA
(Rs. in crores)

| Industry Group | March 1964 Value | March 1964 % | March 1974 Value | March 1974 % | March 1977 Value | March 1977 % | March 1980 Value | March 1980 % |
|---|---|---|---|---|---|---|---|---|
| PLANTATION | 105.9 | 18.7 | 107.2 | 11.7 | 74.8 | 8.13 | 38.5 | 4.12 |
| MINING | 4.7 | 0.9 | 6.4 | 0.8 | 7.7 | 0.84 | 7.8 | 0.83 |
| PETROLEUM | 143.3 | 25.3 | 137.9 | 14.7 | 50.7 | 5.51 | 36.8 | 3.94 |
| MANUFACTURING | 229.3 | 40.5 | 625.6 | 68.4 | 742.0 | 80.63 | 811.6 | 86.97 |
| SERVICES | 82.3 | 14.6 | 39.8 | 4.4 | 45.0 | 4.89 | 38.5 | 4.12 |
| TOTAL | 565.5 | 100.0 | 916.9 | 100.0 | 920.2 | 100.0 | 933.2 | 100.0 |

Source: RBI Bulletins July 1975, March 1978, December 1984, April 1985.

## TABLE 8B

### STOCK OF FDI IN THE MANUFACTURING SECTOR IN INDIA

| MANUFACTURING | MARCH 1964 % | MARCH 1974 % | MARCH 1977 % | MARCH 1980 % |
|---|---|---|---|---|
| Food & beverages | 13.20 | 8.3 | 6.13 | 4.82 |
| Textile products | 7.20 | 5.7 | 4.20 | 3.94 |
| Machinery & machine tools | 6.80 | 6.7 | 8.03 | 8.75 |
| Transport equipment | 6.50 | 5.1 | 5.63 | 6.34 |
| Metal & metal products | 14.40 | 13.9 | 13.61 | 14.62 |
| Electrical goods | 7.90 | 10.9 | 11.29 | 12.01 |
| Chemicals & allied products:of which - | 26.20 | 32.6 | 35.59 | 37.18 |
| a. Chemicals | 7.10 | 12.2 | 15.61 | 16.09 |
| b. Medicines & Pharmaceuticals | 10.90 | 11.1 | 10.75 | 13.02 |
| c. Others | 8.90 | 9.3 | 9.23 | 8.07 |
| Miscellaneous | 17.60 | 16.7 | 15.50 | 12.32 |
| TOTAL | 40.50 | 68.4 | 80.63 | 86.97 |

Source : RBI Bulletins - July 1975 , March 1978, December 1984, April 1985.

The balance of payments impact of foreign investment in FCRCs was negative not only on the investment income account but also in merchandised trade. The exports generated by the FCRCs lagged behind the value of imports necessiated by them except for 1984-85. As regards the composition of imports necessiated by the FCRCs, imports of raw materials and components constituted 78.5 per cent, capital goods, stores and spares contituted 20.5 per cent and other imports only one per cent of the total import bill during the six-year period. In fact, in most cases, technology transferred under the investment programme required specific design of spares, components and raw materials, that were available from the parent company. On the other hand, exports could not grow as fast as the imports did. In fact, one of the basic objective of the foreign investors has been to carter to the domestic market in India.

## E. Export Processing Zones

### (a) General Facilities and Fiscal Incentives

To enable Indian exports to be more competitive internationally in respect of both quality and price, six Export Processing Zones have been set up at Kandla in Gujrat , Santacruz Electronics Export Processing Zone (SEEPZ) in Bombay , Falta in West Bengal , NOIDA in Uttar Pradesh, Cochin in Kerala and Madras in Tamil Nadu . A seventh export processing zone at Vishakapatnam is under development . The operating units in all EPZs broadly fall under the product groups of electronics, engineering , chemicals and allied products, gems and jewellery, textiles, garments, plastics and rubber products . EPZs are provided with the incentives and concessions as indicated below :

a) Duty free import of capital goods, raw materials, components, consumuables and spares ; and duty drawback of excise duties if raw materials are procured from indigenous sources; (b) Corporate tax holiday for a continuous block of five years during the first eight years of operations; (c) Entire export earnings are allowed to be converted at market rate of exchange; (d) Foreign equity allowed upto 100% in export-oriented units; (e) Remittance of profits and dividends earned by foreign investors are allowed freely after payment of taxes; (f) Facility to sell upto 25% or 15% of the production in the domestic market depending upon the level of indigenous inputs used in production; (g) International price reimbursement scheme (IPRS) under which difference between domestic price and international price of certain categories of iron and steel and other basic metals are reimbursed to the exportes ; and (h) Special dispensation and relaxation in municipal tax, octroi, sales tax and property tax.

There is a Board of Approvals for granting industrial approvals headed by Additional Secretary, Ministry of Commerce and at the field level, each zone is administered by a Developmental Commissioner. Development Commissioners have also been delegated powers to grant approval for setting up units under the automatic approval system.

While the units are free to source their requirements of capital goods, raw materials, components and apares etc. either from abroad or indigenously, they are required to adhere to the minimum value addition stipulated in their Lettter of Approval / Letter of Intent. Although the minimum value addition is 20 per cent, the Board of Approvals has fixed industry-specific value addition norms as indicated in **Appendix-III.**

### (b) Details of Export Processing Zones

As mentioned above, six EPZs are in operation now and the Seventh EPZ at Visakhapatnam is under construction. Six functional EPZs taken together employ about 33,000 people in 410 units. Details of these units are discussed below:

*TABLE 9*

INFLOW AND OUTFLOW OF FOREIGN EXCHANGE IN FCRCs

(Rs crore)

| Year | Equity investment | Foreign exchange earnings (other than exports) | Foreign exchange payments (other than imports) | | | | | Net earning col. 3-8 | Net earning after including equity investment cols. 2+3-8 | Imports | Exports | Trade balance col.12-11 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Dividend | Royalty | Technical fees | Other payments | Total | | | | | |
| (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) | (11) | (12) | (13) |
| 1982-83 | NA | 50.00 | 41.33 | 4.75 | 2.79 | 21.46 | 70.33 | (-)20.33 | - | 391.65 | 352.66 | (-)38.99 |
| 1983-84 | 25.26 | 32.98 | 38.34 | 3.86 | 3.78 | 20.68 | 66.66 | (-)33.68 | (-)7.82 | 384.00 | 353.92 | (-)30.08 |
| 1984-85 | 20.29 | 79.61 | 55.34 | 5.84 | 5.64 | 60.64 | 127.46 | (-)47.85 | (-)27.56 | 621.23 | 645.81 | 24.58 |
| 1985-86 | 22.92 | 85.75 | 68.61 | 7.61 | 9.22 | 52.49 | 137.93 | (-)52.18 | (-)29.26 | 771.76 | 722.15 | (-)49.61 |
| 1986-87 | 51.54 | 80.16 | 72.16 | 9.54 | 9.90 | 53.25 | 144.85 | (-)64.69 | (-)13.15 | 884.72 | 727.01 | (-)157.71 |
| 1987-88 | 177.89 | 107.24 | 77.10 | 11.46 | 15.46 | 70.42 | 174.44 | (-)67.20 | 110.69 | 964.81 | 810.37 | (-)154.44 |
| **Total** | **297.80** | **435.74** | **352.88** (47.5) | **43.06** (6.0) | **46.79** (6.5) | **278.94** (40.0) | **721.67** (100.0) | **(-)285.93** | - | **4,018.17** | **3,611.92** | **406.25** |

*Note:* Receipt and payment of interest on capital is excluded.

*Source: RBI Bulletin*, June 1988, August 1991 and March 1992.

TABLE 10

Table 10:Remittance of Profits,Dividends etc. from India To Other Countries: 1964-65 to 1986-87

| | Profits | Dividends | Royalties | Technical Fees | Interest payment by Pvt.Sector | Total |
|---|---|---|---|---|---|---|
| 1964-65 | 15.60 | 22.00 | 4.40 | 3.60 | 6.20 | 51.80 |
| | (30.1) | (42.5) | (8.5) | (6.9) | (12.0) | |
| 1965-66 | 13.50 | 19.40 | 2.95 | 6.98 | | 42.83 |
| 1966-67 | 14.47 | 28.77 | 5.13 | 10.43 | | 58.80 |
| 1967-68 | 15.95 | 32.70 | 4.32 | 14.68 | | 67.65 |
| 1968-69 | 12.96 | 30.25 | 4.78 | 17.97 | 12.73 | 78.65 |
| 1969-70 | 12.72 | 31.41 | 5.00 | 13.05 | 9.28 | 72.26 |
| | (17.6) | (43.4) | (6.8) | (18.0) | (12.9) | |
| 1970-71 | 13.12 | 43.48 | 5.23 | 20.63 | 12.80 | 95.26 |
| 1971-72 | 9.94 | 38.87 | 5.86 | 13.90 | 12.13 | 80.70 |
| 1972-73 | 15.54 | 39.00 | 7.33 | 11.33 | 15.60 | 88.80 |
| 1973-74 | 21.91 | 37.51 | 6.21 | 14.00 | 16.27 | 95.90 |
| 1974-75 | 7.19 | 18.46 | 8.46 | 12.56 | 36.70 | 83.37 |
| 1975-76 | 28.36 | 24.84 | 10.49 | 25.66 | 24.65 | 106.00 |
| | (19.2) | (23.4) | (9.9) | (24.2) | (23.2) | |
| 1976-77 | 19.39 | 48.47 | 15.80 | 37.00 | 25.11 | 146.65 |
| 1977-78 | 10.13 | 68.01 | 19.50 | 28.14 | 22.70 | 148.48 |
| 1978-79 | 10.24 | 45.35 | 12.65 | 55.52 | 31.44 | 164.20 |
| 1979-80 | 14.37 | 50.92 | 9.53 | 43.97 | 25.22 | 144.01 |
| 1980-81 | 21.10 | 55.92 | 8.80 | 104.93 | 22.32 | 204.15 |
| 1981-82 | 12.16 | 58.92 | 15.99 | 270.70 | 41.00 | 398.85 |
| 1982-83 | 19.12 | 70.31 | 39.72 | 258.50 | 80.23 | 467.96 |
| 1983-84 | 20.00 | 62.11 | 27.60 | 314.89 | 81.51 | 506.11 |
| 1984-85 | 16.68 | 74.50 | 28.49 | 300.60 | 123.91 | 544.26 |
| 1985-86 | 11.00 | 75.20 | 23.50 | 367.90 | 218.70 | 697.10 |
| 1986-87 | 11.60 | 85.50 | 40.10 | 358.40 | 318.90 | 813.50 |
| | (1.3) | (10.5) | (4.9) | (44.0) | (39.2) | |

Source: CMIE, Economic Outlook ,September 1990
Note:Figures in the Parenthesis are Percentage of Total.

### Kandla Free Trade Zoze (KAFTZ):

It is the oldest EPZ set up in 1965. It is multi-product zone covering an area of 700 acres and having 81 units in operation with about 9000 employees.

### Santacruz Electronics Export Processing Zone (SEEPZ) :

It is the second EPZ in the country and was set up in 1974. It is spread over an area of 100 acres with 160 built up sheds in 5 Standard Design Factory (SDF) Buildings. Another SDF is under construction. In addition, there are two gem and jewelery complexes which have also recently been expanded to accommodate more units. 101 electronics units and 22 gem and jewellery units are in operation in the zone.

### Madras Export Processing Zone (MEPZ):

The Madras Export Processing Zone was set up in 1984, as a multi-product zone, in an area of 98 acres near tambaram, Madras. The work for creation of infrastructural facilities in the area has been completed. Encouraged by the progress made by the Zone, an additional area of about 163 acres of land adjacent to the Zone was acquired during 1987 and is under development as Phase II. Out of the 111 projects approved, 59 units are in operation.

### Noida Export Processing Zone (NEPZ):

The Zone was set up in 1984 in NOIDA (U.P.) near Delhi in an area of about 89 acres. In view of the Excellent Entrepreneural response evoked by the Zone, additional land of 230 acres have been acquired and is under development. Of the 202 projects approved, 90 units are in operation.

### Cochin Export Processing Zone (CEPZ) :

The Cochin Export Processing Zone was set up in 1984 in an area of 112 acres at Thrikkakara in Ernakulam District. Work on infrastructural facilities in Phase-I of the Zone has been completed. 29 units are in operation out of the 44 projects approved so far.

### Falta Export Processing Zone (FEPZ):

Falta Export Processing Zone was set up in 1984 in an area of about 280 acres near Calcutta. Infrastructural work in the Zone is complete. 15 units out of the 50 projects approved have commenced production and export.

### Performance of Export Processing Zones (EPZ):

The number of units in the 6 EPZs and under the EOU Scheme along with figures of their exports, employment etc. are given in Table-11.

Of the six functioning Export Processing Zones, four EPZs at Cochin, Madras, NOIDA and Falta are new ones and became operation only in 1986. The other two Zones - Kandla and SEEPZ - were set up in 1965 and 1974 respectively. While the performance of SEEPZ is impressive, Madras, NOIDA and Cochin EPZs are gradually consolidating and improving their performance. Kandla was the biggest exporter amongst the EPZs so far but its performance has declined during the current year owing to dislocation of RPA exports since a majority of Kandla units are oriented towards RPA markets. A similar difficulty is being faced by the Falta Zone as well.

TABLE II

DETAILS OF EXPORT PROCESSING ZONES IN INDIA

(Rs. in Crores)

| Name of the zone | No.of Units in operation | Employment | Exports | | | |
|---|---|---|---|---|---|---|
| | | | 1989-90 | 1990-91 | 1991-92 | Export upto Jan.'93 |
| Kandla Free Trade Zone (KAFTZ) | 81 | 9,000 | 338.23 | 456.55 | 427.18 | 128.46 |
| Santacruz Electronics EPZ (SEEPZ) | 123 | 10,500 | 285.01 | 389.86 | 500.17 | 557.92 |
| Noida Export Processing Zone (NEPZ) | 90 | 4,500 | 51.90 | 44.58 | 70.84 | 105.32 |
| Madras Export Processing Zone (MEPZ) | 74 | 6,616 | 29.56 | 61.32 | 122.47 | 123.85 |
| Cochin Export Processing Zone (CEPZ) | 26 | 2,170 | 11.00 | 5.46 | 28.58 | 44.39 |
| Falta Export Processing Zone (FLPZ) | 16 | 400 | 16.38 | 24.95 | 27.90 | 6.72 |
| | 410 | 33,186 | 732.08 | 982.72 | 1177.14 | 966.66 |

Although the volume of exports from KAFTZ and FEPZ have come down substantially during the current year compared to the previous years because of the RPA dislocation, the units in these zones have been able to diversify their exports within a short time and now practically all the exports from these zones are also taking place only to the GCA countries. It is expected that performance of these zones will also further improve during the coming years.

Exports from the zones registered a growth of 19.8% during 1991-92 and the exports to GCA have increased by 50% during the same period. The net foreign exchange earnings from the zone, without taking into account the earnings from RPA exports, was showing a negative trend because of the almost exclusive exports to RPA from Kandla FTZ. However, taking into account RPA earnings the net foreign exchange earnings have always been positive. During the current year, the net foreign exchange earnings even without RPA, has been Rs.180 crores upto January, 1993. Since the units which were hitherto exporting mainly to RPA countries have been able to switch over to GCA markets, the overall export performance and the net foreign exchange earnings by the Zone units will be showing significant increases in the coming years.

The general criticism against the EPZ scheme has been that the percentage share of exports by EPZ units in the overall exports from the country is very small. EPZ units have limitations due to fixed location, small areas available and restrictions from the pollution angle. Comparing the export performance of about 600 EPZ units with the total exports from the country is not realistic. The exports made by EPZ units are mainly hi-tech products and if the export of manufactured products from the country is taken, then the share of EPZs will be about 4%. With the setting-up of more units under the scheme and growth in export of existing units, the contribution of EPZs in the overall exports from the country is expected to grow significantly in the coming years.

**Setting up of Visakhapatnam Export Processing Zone**

Government have taken a decision to set up the 7th Export Processing Zone at Visakhapatnam and the same has been notified on 15.3.1989. The State Governmenmt has, on 23.3.1991 handed over 360.5 acres of land including Government land in Jaggarajupetta and Narava Villages of Gajuwaka Mandal of Visakhapatnam, to the Zone Administration. Andhra Pradesh Industrial Infrastructure Corporation has been entrusted with the work of development of infrastructure in the Zone. The Zone is proposed to be developed in a phased manner and to start with the first phase development of the Zone covering an area of about 163 acres is being taken up at an estimated cost of about Rs.18 crores. An amount of Rs.512 crores has been released so far to meet the expenditure on accountof of cost of land and provision of infrastructure. The basic infrastructural development of the Zone is nearing completion. Proposals for setting up untis in the Zone would be entertained shortly.

**Improvements/Revamping of EPZs Schemes**

The following important modifications/improvements have been brought about in the EPZ scheme as part of the revamping exercise undertaken in 1989, the package announced by the Commerce Minister in August, 1991 and in the EXIM Policy, 1992-97 :-

i) Reduction in duty on DTA sale by 50%;

ii) Simplification of customs/excise procedures;

iii) Facility to convert the entire foreign exchange earnings at market rates;

iv) Extension of IPRS;

v) Automatic approval for setting up units under certain conditions;

vi) Development Commissioners of EPZs have been delegated with the powers of Board of Approvals/Department of Industrial Development to allow capacity expansion/broad-banding, attestation of CG list etc.

vii) Delegation of powers to Development Commissioners of Director General of Foreign Trade in regard to grant of importer-exporter Code Number, Green Card etc.;

viii) Leasing of capital goods from domestic leasing companies by EPZs has been provided for;

ix) Streamlining of procedures for DTA sale.

## Annex TABLE A-1 Continued

## Principal Economic Indicators for India

| ITEM | actual 1980 | actual 1981 | actual 1982 | actual 1983 | actual 1984 | actual 1985 | actual 1986 | actual 1987 | actual 1988 | actual 1989 | actual 1990 | actual 1991 | estimate 1992 | ITEM |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 0 POPULATION (Million; as on 1 October) | 679.0 | 694.0 | 709.0 | 724.0 | 738.0 | 754.0 | 771.0 | 787.0 | 803.0 | 820.0 | 839.0 | 856.0 | 873.1 | POPULATION (Million; as on 1 October) |
| 1 GNP and GDP : | | | | | | | | | | | | | | GNP and GDP |
| GDP at current market prices (US$ million) | 172387 | 178903 | 184976 | 201347 | 194569 | 214251 | 229045 | 256981 | 273852 | 272501 | 295865 | 247242 | 240769 | GDP at current market prices (US$ million) |
| GNP at current market prices (US$ million) | 172824 | 178947 | 184318 | 200432 | 193372 | 213083 | 227634 | 254894 | 270025 | 267964 | 292057 | 244471 | 241188 | GNP at current market prices (US$ million) |
| GNP per capita (in US $) | 255 | 258 | 260 | 277 | 262 | 283 | 295 | 324 | 336 | 327 | 348 | 286 | 276 | GNP per capita (in US $) |
| GDP growth rate (at 1980 factor cost) | 7.2 | 6.1 | 3.1 | 8.2 | 3.9 | 4.1 | 4.3 | 4.2 | 10.5 | 6.0 | 5.2 | 1.2 | 4.2 | GDP growth rate (at 1980 factor cost) |
| GR agriculture | 12.9 | 5.9 | -1.2 | 10.8 | 0.0 | 0.3 | -1.8 | 0.4 | 16.4 | 2.7 | 3.7 | -1.4 | 4.2 | GR agriculture |
| GR industry | 3.5 | 7.9 | 4.7 | 8.7 | 6.0 | 4.6 | 7.3 | 6.2 | 7.8 | 6.7 | 9.8 | 0.0 | 3.9 | GR industry |
| GR manufacturing | 2.9 | 8.0 | 6.5 | 9.9 | 6.5 | 4.0 | 7.0 | 7.0 | 8.5 | 7.2 | 9.4 | -2.3 | 5.0 | GR manufacturing |
| GR services | 4.2 | 5.0 | 6.5 | 5.2 | 6.3 | 7.4 | 7.6 | 6.1 | 7.7 | 8.3 | 3.2 | 4.3 | 4.4 | GR services |
| GDP growth rate (at 1980 market prices) | 6.5 | 6.5 | 3.8 | 7.4 | 3.7 | 5.5 | 4.9 | 4.7 | 9.8 | 6.0 | 5.5 | 1.3 | 4.2 | GDP growth rate (at 1980 market prices) |
| 2 Gross Domestic Savings (as percentage of GDP) | 21.2 | 21.0 | 19.1 | 18.8 | 18.2 | 19.0 | 19.5 | 21.5 | 21.9 | 24.5 | 23.6 | 24.3 | 24.8 | Gross Domestic Savings (as percentage of GDP) |
| Household sector | 16.1 | 14.9 | 13.1 | 14.0 | 13.7 | 13.7 | 15.0 | 17.6 | 17.7 | 20.3 | 19.8 | 19.9 | 20.0 | Household sector |
| Private corporate sector | 1.7 | 1.6 | 1.6 | 1.5 | 1.7 | 2.0 | 1.8 | 1.7 | 2.2 | 2.6 | 2.7 | 2.7 | 3.0 | Private corporate sector |
| Public sector | 3.4 | 4.5 | 4.4 | 3.3 | 2.8 | 3.3 | 2.7 | 2.2 | 2.0 | 1.6 | 1.1 | 1.7 | 1.8 | Public sector |
| 3 Gross Domestic Investment (as % of GDP) | 22.7 | 22.6 | 20.6 | 20.0 | 19.6 | 21.3 | 21.6 | 23.6 | 25.0 | 27.3 | 26.3 | 25.5 | 27.2 | Gross Domestic Investment (as % of GDP) |
| 4 Rate of Inflation ( on average basis ) : | | | | | | | | | | | | | | Rate of Inflation |
| Change in Wholesale Price Index | 17.7 | 9.8 | 4.9 | 7.5 | 6.5 | 4.4 | 5.8 | 8.1 | 7.5 | 7.5 | 10.3 | 13.7 | 9.0 | Change in Wholesale Price Index |
| Change in Consumer Price Index | 11.4 | 13.1 | 8.8 | 12.1 | 6.3 | 6.8 | 8.7 | 8.8 | 9.4 | 6.1 | 11.6 | 13.5 | 11.0 | Change in Consumer Price Index |
| 5 Domestic Interest Rate (Annual average rate) : | | | | | | | | | | | | | | Domestic Interest Rate (Annual average rate) |
| Bank rate of the Central Bank (RBI) | 9.0 | 10.0 | 10.0 | 10.0 | 10.0 | 10.0 | 10.0 | 10.0 | 10.0 | 10.0 | 10.0 | 12.0 | 12.0 | Bank rate of the Central Bank (RBI) |
| Deposit rates of scheduled commercial banks: | | | | | | | | | | | | | | |
| 46 days to 90 days | 3.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 6.0 | 8.0 | 8.0 | 11.0 | 11.0 | |
| 91 days to less than 6 months | 4.0 | 5.0 | 5.0 | 5.0 | 5.0 | 6.5 | 6.5 | 6.5 | 8.0 | 8.0 | 8.0 | 11.0 | 11.0 | |
| more than 6 months | 4.5 | 6.0 | 6.0 | 6.0 | 6.0 | 8.0 | 8.0 | 8.0 | 8.0 | 8.0 | 8.0 | 11.0 | 11.0 | |
| Maximum (minimum w.e.f.1988) lending rate for the highest credit slab | 19.5 | 19.5 | 19.5 | 18.0 | 17.5 | 17.5 | 17.5 | 16.5 | 16.0 | 16.0 | 16.0 | 19.0 | 17.0 | Minimum lending rate for highest credit slab |
| Prime lending rate of Term Lending Institutes | 14.0 | 14.0 | 14.0 | 14.0 | 14.0 | 14.0 | 14.0 | 14.0 | 14.0 | 14.0 | 14-15 | 14-15 | 14-15 | Prime lending rate of Term Lending Institutes |
| 6 Wages in Public Sector Enterprises : | | | | | | | | | | | | | | Wages in Manufacturing Sector |
| Per capita emoluments (Rupees per annum) | 14239 | 16158 | 18029 | 21549 | 24328 | 25887 | 28820 | 32537 | 39415 | 43665 | 49197 | 55000 | 60000 | Per capita emoluments (Rupees per annum) |
| Actual hours of work per week | 48 | 48 | 48 | 48 | 48 | 48 | 48 | 48 | 48 | 48 | 48 | 48 | 48 | Actual hours of work per week |

## Annex TABLE A-1 Completed
## Principal Economic Indicators for India

| ITEM | actual 1980 | actual 1981 | actual 1982 | actual 1983 | actual 1984 | actual 1985 | actual 1986 | actual 1987 | actual 1988 | actual 1989 | actual 1990 | actual 1991 | estimate 1992 | ITEM |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 7 Exchange Rate (Rupees per US$, average rate) | 7.89 | 8.93 | 9.63 | 10.31 | 11.89 | 12.24 | 12.79 | 12.97 | 14.48 | 16.66 | 17.94 | 24.65 | 28.99 | Exchange Rate (Rupees per US$, average rate) |
| 8 Balance of Payments (US $ million) : | | | | | | | | | | | | | | Balance of Payments (US $ million) |
| Trade balance | -7854 | -7241 | -6952 | -6697 | -5653 | -7835 | -7320 | -7170 | -9361 | -7456 | -7750 | -3078 | -5935 | merchandise exports, fob |
| current balance | -2799 | -3166 | -3393 | -3207 | -2399 | -4845 | -4562 | -4853 | -7188 | -5901 | -7728 | -2835 | -6204 | current balance |
| Interest payments | 309 | 306 | 408 | 447 | 580 | 696 | 831 | 1159 | 1486 | 1862 | n.a. | n.a. | n.a. | |
| Profit remittances | -11 | -10 | -18 | -18 | -12 | -5 | -6 | -4 | -28 | -21 | n.a. | n.a. | n.a. | |
| as % of GDP : | | | | | | | | | | | | | | as % of GDP : |
| trade balance | -4.6 | -4.0 | -3.8 | -3.3 | -2.9 | -3.7 | -3.2 | -2.8 | -3.4 | -2.7 | -2.6 | -1.2 | -2.5 | merchandise exports |
| current balance | -1.6 | -1.8 | -1.8 | -1.6 | -1.2 | -2.3 | -2.0 | -1.9 | -2.6 | -2.2 | -2.6 | -1.1 | -2.6 | current balance |

Notes : (1) Years refer to financial years starting with April and ending with March of the next year.
(2) Figures for 1992 are advanced estimates for the year 1992-93.
(3) n.a. stands for not available.

ANNEX. TABLE 2 Continued

Foreign Direct Investment in India

| ITEM | 1980 | 1981 | 1982 | 1983 | 1984 | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 | 1991 | 1992 | Total 1980-92 | ITEM |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 FDI flows (Rupees million) | 89.2 | 108.7 | 628.1 | 618.7 | 1130.0 | 1260.7 | 1069.5 | 1077.1 | 2397.6 | 3166.7 | 1283.2 | 5341.1 | 38875.4 | 57046.0 | FDI flows (Rupees million) |
| 2 Sectoral distribution of FDI flows (Rs mill.) | | | | | | | | | | | | | | | Sectoral distribution of FDI flows (Rs.mill.) |
| Chemicals | 8.5 | 10.9 | 79.6 | 75.8 | 709.4 | 88.2 | 300.1 | 450.0 | 679.1 | 715.0 | 350.0 | 1473.2 | 4211.7 | 9151.5 | Chemicals |
| Electricals | 6.6 | 8.6 | 44.8 | 78.4 | 56.7 | 301.1 | 301.2 | 290.0 | 372.6 | 390.0 | 320.0 | 1021.2 | 18760.7 | 21951.8 | Electricals |
| Industrial machinery | 21.0 | 23.5 | 47.5 | 20.7 | 52.8 | 33.4 | 10.5 | 39.0 | 49.6 | 55.0 | 65.0 | 557.0 | 707.1 | 1682.0 | Industrial machinery |
| Mechanical engineering | 8.5 | 10.4 | 16.6 | 23.4 | 45.6 | 83.7 | 80.1 | 120.0 | 141.5 | 150.0 | 120.0 | 365.8 | 3144.2 | 4309.7 | Mechanical engineering |
| Metallurgy | 1.0 | 1.1 | 6.0 | 5.2 | 24.6 | 147.8 | 137.8 | 130.0 | 147.5 | 155.0 | 110.0 | 22.3 | 588.7 | 1477.1 | Metallurgy |
| Miscellaneous | 43.6 | 54.2 | 433.5 | 415.3 | 240.8 | 606.5 | 239.9 | 48.1 | 1007.3 | 1701.7 | 318.2 | 1901.7 | 11463.0 | 18473.9 | Miscellaneous |
| 3 Number of foreign collaboration approvals | | | | | | | | | | | | | | | Number of foreign collaboration approvals |
| Total collaborations | 526 | 389 | 590 | 673 | 752 | 1024 | 957 | 853 | 926 | 605 | 666 | 950 | 1520 | 10431 | Total collaborations |
| Financial | 73 | 57 | 113 | 129 | 151 | 238 | 240 | 242 | 282 | 194 | 194 | 289 | 692 | 2894 | Financial |
| by country of origin : | | | | | | | | | | | | | | 0 | by country of origin : |
| U.S.A. (Total) | 125 | 85 | 110 | 135 | 148 | 197 | 189 | 196 | 191 | 127 | 133 | 177 | 329 | 2142 | U.S.A. (Total) |
| Financial | 19 | 15 | 24 | 32 | 37 | 66 | 71 | 57 | 71 | 35 | 42 | 53 | 154 | 676 | Financial |
| Germany (Total) | 104 | 78 | 102 | 139 | 146 | 192 | 189 | 152 | 183 | 115 | 134 | 157 | 201 | 1892 | Germany (Total) |
| Financial | 10 | 14 | 19 | 22 | 19 | 36 | 40 | 40 | 47 | 38 | 40 | 35 | 83 | 443 | Financial |
| U.K. (Total) | 110 | 79 | 106 | 119 | 126 | 147 | 130 | 122 | 134 | 66 | 101 | 134 | 184 | 1558 | U.K. (Total) |
| Financial | 17 | 9 | 16 | 22 | 16 | 26 | 23 | 27 | 36 | 21 | 21 | 38 | 73 | 345 | Financial |
| Japan (Total) | 34 | 27 | 51 | 58 | 78 | 108 | 111 | 71 | 96 | 62 | 46 | 72 | 108 | 922 | Japan (Total) |
| Financial | 5 | 4 | 5 | 7 | 5 | 15 | 15 | 15 | 16 | 11 | 9 | 15 | 44 | 166 | Financial |
| Italy (Total) | 25 | 18 | 37 | 30 | 38 | 56 | 58 | 50 | 53 | 37 | 40 | 61 | 68 | 571 | Italy (Total) |
| Financial | 3 | 1 | 5 | 2 | 5 | 11 | 8 | 10 | 18 | 14 | 15 | 22 | 22 | 136 | Financial |
| France (Total) | 24 | 23 | 28 | 40 | 38 | 61 | 39 | 44 | 42 | 23 | 38 | 40 | 59 | 499 | France (Total) |
| Financial | 5 | 3 | 6 | 5 | 5 | 8 | 9 | 10 | 13 | 3 | 12 | 11 | 20 | 110 | Financial |
| Switzerland (Total) | 38 | 26 | 41 | 47 | 30 | 42 | 32 | 31 | 41 | 22 | 35 | 52 | 82 | 519 | Switzerland (Total) |
| Financial | 3 | 4 | 8 | 9 | 4 | 4 | 8 | 11 | 8 | 9 | 6 | 10 | 38 | 122 | Financial |
| Sweden (Total) | 10 | 11 | 15 | 15 | 14 | 29 | 29 | 19 | 11 | 17 | 15 | 30 | 28 | 243 | Sweden (Total) |
| Financial | 4 | 0 | 4 | 1 | 6 | 4 | 7 | 4 | 3 | 7 | 3 | 6 | 7 | 56 | Financial |
| Netherland (Total) | 8 | 9 | 14 | 13 | 14 | 16 | 26 | 23 | 15 | 12 | 13 | 50 | 61 | 274 | Netherland (Total) |
| Financial | 1 | 2 | 0 | 2 | 0 | 3 | 11 | 6 | 3 | 4 | 6 | 25 | 23 | 86 | Financial |
| Korea (South) (Total) | 0 | 0 | 2 | 2 | 3 | 5 | 14 | 15 | 11 | 9 | 13 | 16 | 48 | 138 | Korea - South (Total) |
| Financial | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 3 | 3 | 2 | 5 | 5 | 27 | 46 | Financial |
| Non-resident Indians (NRIs) (Total) | 0 | 1 | 11 | 20 | 46 | 52 | 25 | 28 | 25 | 14 | 4 | 6 | 52 | 284 | Non-resident Indians (NRIs) (Total) |
| Financial | 0 | 1 | 11 | 16 | 34 | 36 | 8 | 27 | 23 | 13 | 3 | 6 | 49 | 227 | Financial |
| Others (Total) | 48 | 32 | 73 | 55 | 71 | 119 | 115 | 102 | 124 | 101 | 94 | 155 | 300 | 1389 | Others (Total) |
| Financial | 6 | 4 | 15 | 11 | 20 | 29 | 39 | 32 | 41 | 37 | 32 | 63 | 152 | 481 | Financial |

ANNEX. TABLE-2 Concluded

Foreign Direct Investment in India

| ITEM | 1980 | 1981 | 1982 | 1983 | 1984 | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 | 1991 | 1992 | Total | ITEM |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 4 Foreign Investment ( Rupees million ) | | | | | | | | | | | | | | | Foreign Investment ( Rupees million ) |
| Total | 89.2 | 108.7 | 628.1 | 618.7 | 1130.0 | 1260.7 | 1069.5 | 1077.1 | 2397.6 | 3166.7 | 1283.2 | 5341.1 | 38875.4 | 57046.0 | Total |
| by country of origin : | | | | | | | | | | | | | | | by country of origin : |
| U.S.A. | 21.7 | 22.5 | 50.3 | 138.9 | 89.5 | 339.3 | 291.7 | 293.2 | 971.4 | 621.6 | 344.8 | 1858.5 | 12315.0 | 17362.4 | U.S.A. |
| Germany | 4.7 | 54.2 | 35.3 | 48.4 | 28.5 | 118.1 | 201.6 | 95.5 | 310.0 | 1203.3 | 195.1 | 418.0 | 862.7 | 3575.4 | Germany |
| U.K. | 9.7 | 7.1 | 16.5 | 98.0 | 18.1 | 37.1 | 77.2 | 84.5 | 139.1 | 334.6 | 90.7 | 321.0 | 1176.7 | 2410.3 | U.K. |
| Japan | 17.0 | 6.5 | 251.1 | 160.8 | 61.5 | 156.8 | 56.2 | 69.1 | 174.3 | 87.8 | 50.0 | 527.1 | 6102.3 | 7720.5 | Japan |
| Italy | 2.9 | 0.4 | 39.9 | 11.5 | 7.7 | 69.5 | 23.2 | 29.7 | 278.7 | 69.0 | 63.3 | 178.1 | 893.9 | 1672.8 | Italy |
| France | 5.4 | 6.2 | 25.8 | 8.0 | 12.2 | 23.6 | 20.3 | 53.5 | 117.4 | 84.6 | 68.8 | 193.3 | 296.4 | 936.1 | France |
| Switzerland | 0.8 | 6.5 | 11.8 | 11.3 | 4.4 | 8.4 | 32.5 | 48.5 | 27.4 | 77.4 | 135.1 | 355.0 | 6397.6 | 7656.7 | Switzerland |
| Sweden | 23.1 | 0.0 | 15.3 | 3.0 | 14.2 | 8.1 | 47.5 | 10.9 | 8.4 | 41.7 | 3.4 | 69.8 | 484.1 | 734.5 | Sweden |
| Netherland | 1.0 | 0.8 | 0.0 | 26.9 | 0.0 | 4.0 | 72.7 | 10.1 | 10.5 | 23.1 | 37.7 | 559.2 | 967.9 | 1713.9 | Netherland |
| Korea (South) | 0.0 | 0.0 | 1.2 | 0.0 | 0.0 | 0.0 | 0.6 | 1.4 | 4.5 | 3.4 | 70.6 | 61.5 | 394.0 | 537.2 | Korea (South) |
| Non-resident Indians (NRIs) | 0.0 | 1.4 | 111.4 | 65.1 | 146.4 | 190.4 | 79.0 | 207.7 | 168.0 | 211.8 | 52.4 | 197.0 | 4791.3 | 5821.9 | Non-resident Indians (NRIs) |
| Others | 2.9 | 3.1 | 69.5 | 41.8 | 747.5 | 305.4 | 164.8 | 131.0 | 187.5 | 408.4 | 146.3 | 602.6 | 4093.5 | 6904.3 | Others |
| 5 Foreign investment ( US $ million ) | | | | | | | | | | | | | | | Foreign Investment ( Rupees million ) |
| Total | 11.31 | 12.17 | 65.22 | 60.01 | 95.04 | 103.00 | 83.62 | 83.05 | 165.38 | 190.08 | 71.53 | 216.68 | 1330.99 | 2493.27 | Total |
| by country of origin : | | | | | | | | | | | | | | | by country of origin : |
| U.S.A. | 2.75 | 2.52 | 5.22 | 13.47 | 7.53 | 27.72 | 22.96 | 22.76 | 67.09 | 37.31 | 19.22 | 75.40 | 424.30 | 728.75 | U.S.A. |
| Germany | 0.60 | 6.07 | 3.67 | 4.69 | 2.40 | 9.65 | 15.76 | 7.36 | 21.41 | 72.23 | 10.88 | 16.96 | 29.76 | 201.42 | Germany |
| U.K. | 1.23 | 0.80 | 1.71 | 9.51 | 1.52 | 3.03 | 6.04 | 6.52 | 9.61 | 20.08 | 5.06 | 13.02 | 40.39 | 118.71 | U.K. |
| Japan | 2.15 | 0.73 | 26.07 | 15.60 | 5.17 | 12.81 | 4.39 | 5.33 | 12.04 | 5.27 | 2.79 | 21.35 | 210.50 | 324.23 | Japan |
| Italy | 0.37 | 0.04 | 4.14 | 1.12 | 0.65 | 5.68 | 1.81 | 2.29 | 19.25 | 4.14 | 3.81 | 7.23 | 30.83 | 81.36 | Italy |
| France | 0.68 | 0.69 | 2.68 | 0.78 | 1.03 | 1.93 | 1.60 | 4.12 | 8.14 | 5.08 | 4.95 | 7.84 | 10.22 | 49.74 | France |
| Switzerland | 0.10 | 0.73 | 1.23 | 1.10 | 0.37 | 0.69 | 2.54 | 6.82 | 1.89 | 4.65 | 7.53 | 14.40 | 237.93 | 279.97 | Switzerland |
| Sweden | 2.93 | 0.00 | 1.59 | 0.78 | 1.19 | 0.66 | 3.71 | 0.84 | 0.58 | 2.50 | 0.19 | 2.83 | 16.70 | 34.51 | Sweden |
| Netherland | 0.13 | 0.09 | 0.00 | 2.61 | 0.00 | 0.33 | 5.68 | 0.78 | 0.73 | 1.39 | 2.10 | 22.69 | 33.39 | 69.90 | Netherland |
| Korea (South) | 0.00 | 0.00 | 0.12 | 0.00 | 0.00 | 0.00 | 0.05 | 0.11 | 0.31 | 0.20 | 3.94 | 2.49 | 13.59 | 20.82 | Korea (South) |
| Non-resident Indians (NRIs) | 0.00 | 0.16 | 11.57 | 6.31 | 12.31 | 15.56 | 6.18 | 16.01 | 11.60 | 12.71 | 2.92 | 7.99 | 151.48 | 254.80 | Non-resident Indians (NRIs) |
| Others | 0.37 | 0.35 | 7.22 | 4.05 | 62.87 | 24.95 | 12.89 | 10.10 | 12.95 | 24.51 | 8.15 | 24.45 | 141.20 | 334.06 | Others |
| 6 Exchange Rate (Rupees per US$, average rate) | 7.89 | 8.93 | 9.63 | 10.31 | 11.89 | 12.24 | 12.79 | 12.97 | 14.48 | 16.66 | 17.94 | 24.65 | 28.99 | 14.57 | Exchange Rate (Rupees per US$, average rate) |
| 7 Gross domestic investment (Rupees billion) | 308.80 | 360.89 | 366.34 | 414.88 | 454.06 | 558.89 | 634.03 | 785.37 | 989.69 | 1238.04 | 1397.93 | 1554.04 | 1889.94 | 10953 | Gross domestic investment |
| 8 FDI as % of gross domestic investment | 0.03 | 0.03 | 0.17 | 0.15 | 0.25 | 0.23 | 0.17 | 0.14 | 0.24 | 0.26 | 0.09 | 0.34 | 2.06 | 0.52 | |

Notes : (1) Years refer to calender years.

(2) Figures for 1992 are advanced estimates for the year 1992-93.

## TABLE NO. (A-3) contd.....
## COUNTRY-WISE BREAK-UP OF THE FOREIGN COLLABORATION APPROVALS ISSUED DURING THE PERIOD 1985 TO 1990

| Sl. No. | Name of the Country of collaboration | 1985 | | 1986 | | 1987 | | 1988 | | 1989 | | 1990 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Total | Fin. | Total | Fin. | Total | Fin. | Total | Fin. | Total | Fin. | Total | Fin. |
| 1 | 2 | 3 | 3a | 4 | 4a | 5 | 5a | 6 | 6a | 7 | 7a | 8 | 8a |
| 1. | Argentina | - | - | 1 | - | - | - | - | - | 1 | - | - | - |
| 2. | Australia | 7 | - | 9 | 3 | 12 | 5 | 12 | 2 | 7 | 1 | 6 | 4 |
| 3. | Austria | 14 | 4 | 16 | 6 | 9 | 2 | 6 | 2 | 7 | 2 | 14 | 1 |
| 4. | Bahama | 1 | 1 | - | - | - | - | - | - | - | - | - | - |
| 5. | Bahrain | 1 | 1 | - | - | 1 | 1 | - | - | - | - | - | - |
| 6. | Belgium | 9 | 2 | 6 | - | 7 | 1 | 6 | - | 9 | 3 | 1 | - |
| 7. | Bermuda | 1 | 1 | - | - | - | - | - | - | - | - | - | - |
| 8. | Brazil | 1 | - | - | - | - | - | 1 | 1 | 1 | - | 2 | 1 |
| 9. | Bulgaria | - | - | 1 | 1 | 1 | - | 1 | - | - | - | - | - |
| 10. | Canada | 15 | 6 | 15 | 6 | 9 | 4 | 10 | 4 | 6 | 2 | 7 | 2 |
| 11. | China | - | - | - | - | - | - | 1 | - | 1 | 1 | 2 | - |
| 12. | Czechoslovakia | 7 | - | 4 | 1 | 5 | - | 4 | 1 | 5 | 2 | 2 | - |
| 13. | Denmark | 12 | 1 | 7 | 2 | 11 | 3 | 11 | 4 | 7 | 3 | 15 | 8 |
| 14. | Cyprus | - | - | - | - | - | - | - | - | - | - | - | - |
| 15. | Dubai | - | - | 2 | 2 | - | - | - | - | - | - | - | - |
| 16. | Farco Island | 1 | 1 | - | - | - | - | - | - | - | - | - | - |
| 17. | Finland | 4 | 1 | 5 | 1 | 2 | 2 | 10 | 2 | 5 | 3 | 6 | 1 |
| 18. | FRG | 180 | 36 | 183 | 40 | 149 | 39 | 178 | 47 | 112 | 38 | 128 | 40 |
| 19. | France | 61 | 8 | 39 | 9 | 44 | 10 | 42 | 13 | 23 | 3 | 38 | 12 |
| 20. | G.D.R. | 12 | - | 6 | - | 3 | 1 | 5 | - | 3 | - | 6 | - |
| 21. | Greece | - | - | - | - | - | - | 1 | - | 1 | 1 | - | - |
| 22. | Hongkong | 5 | 1 | 9 | 3 | 5 | 3 | 10 | 4 | 3 | 3 | 7 | 3 |
| 23. | Hungary | 2 | - | 2 | 2 | 3 | - | 3 | 1 | 3 | - | - | - |
| 24. | Iran | - | - | 1 | 1 | - | - | - | - | - | - | - | - |
| 25. | Ireland | - | - | - | - | - | - | 1 | 1 | - | - | 2 | - |
| 26. | Itlay | 56 | 11 | 58 | 8 | 50 | 10 | 53 | 18 | 37 | 14 | 40 | 15 |
| 27. | Japan | 108 | 15 | 111 | 15 | 71 | 15 | 96 | 16 | 62 | 11 | 46 | 9 |
| 28. | Jordan | 1 | 1 | - | - | - | - | - | - | - | - | - | - |
| 29. | Korea (South) | 5 | - | 14 | 1 | 15 | 3 | 11 | 3 | 9 | 2 | 13 | 5 |
| 30. | Kuwait | - | - | - | - | - | - | - | - | 1 | 1 | - | - |
| 31. | Liberia | 1 | 1 | - | - | - | - | - | - | - | - | - | - |
| 32. | Luxemberg | - | - | 1 | - | - | - | 3 | 1 | - | - | - | - |
| 33. | Malaysia | - | - | 2 | 2 | 1 | 1 | - | - | 3 | - | 1 | 1 |
| 34. | Mexico | 2 | 1 | 1 | 1 | 2 | 1 | 1 | 1 | 2 | 2 | - | - |
| 35. | Netherland | 16 | 3 | 26 | 11 | 23 | 6 | 15 | 3 | 12 | 4 | 13 | 6 |
| 36. | Norway | 3 | 1 | 7 | 3 | 2 | - | 8 | 5 | 5 | 4 | 2 | 1 |
| 37. | New Zealand | - | - | 1 | - | - | - | - | - | - | - | - | - |
| 38. | Panama | - | - | - | - | 1 | 1 | - | - | - | - | - | - |
| 39. | Poland | 2 | - | 2 | - | 1 | - | - | - | - | 1 | 4 | - |
| 40. | Portugal | 2 | 1 | - | - | - | - | - | - | 3 | - | - | - |
| 41. | Romania | - | - | 1 | - | - | - | - | - | - | - | 1 | - |
| 42. | Saudi Arabia | - | - | 1 | 1 | - | - | - | - | - | - | - | - |
| 43. | Singapore | 5 | 2 | 3 | 1 | 5 | 2 | 11 | 5 | 11 | 4 | - | - |
| 44. | Spain | 3 | - | 7 | 2 | 5 | 1 | 2 | 1 | 3 | - | 3 | - |
| 45. | Sweden | 29 | 4 | 29 | 7 | 19 | 4 | 11 | 3 | 17 | 7 | 15 | 3 |
| 46. | Switzerland | 42 | 4 | 32 | 8 | 31 | 11 | 41 | 8 | 22 | 9 | 35 | 6 |
| 47. | Sri Lanka | 4 | 1 | - | - | - | - | - | - | - | - | - | - |
| 48. | Taiwan | 6 | - | 6 | 1 | 8 | 2 | 14 | 3 | 3 | - | 5 | 3 |
| 49. | Thailand | 1 | - | - | - | - | - | - | - | 1 | - | 2 | 2 |
| 50. | Turkey | - | - | - | - | 1 | - | - | - | - | - | - | - |
| 51. | U.A.E. | 2 | 2 | - | - | 1 | - | - | - | - | - | - | - |
| 52. | U.K. | 147 | 26 | 130 | 23 | 122 | 27 | 134 | 36 | 66 | 21 | 101 | 21 |
| 53 | U.S.A. | 197 | 66 | 189 | 71 | 196 | 57 | 191 | 71 | 127 | 35 | 133 | 42 |

TABLE NO. A-3

COUNTRY-WISE BREAK-UP OF THE FOREIGN COLLABORATION APPROVALS ISSUED DURING THE PERIOD 1985 TO 1990

| Sl. No. | Name of the Country of collaboration | 1985 | | 1986 | | 1987 | | 1988 | | 1989 | | 1990 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Total | Fin. | Total | Fin. | Total | Fin. | Total | Fin. | Total | Fin. | Total | Fin. |
| 1 | 2 | 3 | 3a | 4 | 4a | 5 | 5a | 6 | 6a | 7 | 7a | 8 | 8a |
| 54. | U.S.S.R. | 4 | - | 5 | - | 6 | 2 | 7 | 2 | 9 | 4 | 8 | 5 |
| 55. | Yugoslavia | 6 | - | - | - | 3 | 1 | 1 | 1 | - | - | 3 | - |
| 56. | N.R.I. | 52 | 36 | 25 | 8 | 28 | 27 | 25 | 23 | 14 | 13 | 4 | 3 |
| 57. | Scotland | - | - | - | - | - | - | - | - | - | - | 1 | - |
| | Total | 1024 | 238 | 957 | 240 | 853 | 242 | 926 | 282 | 605 | 194 | 666 | 194 |

*Source* : Department of Industrial Development, Ministry of Industry.

## TABLE NO. A-4
## COUNTRY-WISE BREAK-UP OF FOREIGN INVESTMENT APPROVED DURING THE YEAR OF 1985 TO 1990

(Rupees in Lakh)

| Sl. No. | Name of the Country | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 |
|---|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| 1. | Australia | - | 59.20 | 188 | 10.01 | 300.00 | 62.80 |
| 2. | Austria | 103.20 | 36 | 44 | 163.90 | 52.00 | 74.35 |
| 3. | Bahama | 75 | - | - | - | - | - |
| 4. | Belgium | 268 | - | 275 | - | 32.52 | - |
| 5. | Beharain | .30 | - | 1 | - | - | - |
| 6. | Bermuda | 40 | - | - | - | - | - |
| 7. | Brazil | - | - | - | 40.00 | - | 7.98 |
| 8. | Bulgaria | - | 8 | - | - | - | - |
| 9. | Canada | 247 | 138 | 67 | 26.00 | 117.00 | 66.00 |
| 10. | Czechoslovakia | - | 90 | - | 15.00 | 139.00 | - |
| 11. | Denmark | 24 | 66 | 19.44 | 176.38 | 980.00 | 272.32 |
| 12. | Dubai | - | 55 | - | - | - | - |
| 13. | Farco Island | 8 | - | - | - | - | - |
| 14. | F.R.G. | 1180.808 | 2015.73 | 906.915 | 3099.90 | 12032.85 | 951.22 |
| 15. | Finland | 19.95 | 360 | 69 | 46.64 | 105.50 | 56.66 |
| 16. | France | 235.50 | 204.82 | 535.35 | 1177.97 | 845.69 | 888.00 |
| 17. | G.D.R. | - | - | 48 | - | - | - |
| 18. | Hongkong | 8 | 91.10 | 113.2 | 56.10 | 110.25 | 115.00 |
| 19. | Hungary | - | 70 | - | 10.40 | - | - |
| 20. | Iran | - | 5.62 | - | - | - | - |
| 21. | Ireland | - | - | - | 10.00 | - | - |
| 22. | Italy | 694.75 | 232.95 | 297.07 | 2786.74 | 690.44 | 682.74 |
| 23. | Japan | 1567.62 | 561.61 | 690.62 | 1742.58 | 877.93 | 500.15 |
| 24. | Korea (South) | - | 6.25 | 13.91 | 45 | 33.75 | 706.24 |
| 25. | Kuwait | - | - | - | - | 285.00 | - |
| 26. | Liberia | 3.90 | - | - | - | - | - |
| 27. | Luxemberg | - | - | - | 40 | - | - |
| 28. | Malaysia | - | 21 | 50 | - | - | 12.50 |
| 29. | Mexico | 4 | 80 | 120 | 200 | 257.25 | - |
| 30. | Netherlands | 40 | 726.60 | 100.65 | 105.30 | 230.56 | 376.61 |
| 31. | Norway | 590 | 192 | - | 349.90 | 338.50 | 4.00 |
| 32. | Panama | - | - | 16 | - | - | - |
| 33. | Portugal | 80 | - | - | - | - | - |
| 34. | Saudi Arabia | - | 40 | - | - | - | - |
| 35. | Singapore | 37 | 25 | 85.325 | 462.60 | 348.68 | - |
| 36. | Spain | - | 299 | 100 | 160 | - | - |
| 37. | Sri Lanka | 11 | - | - | - | - | - |
| 38. | Sweden | 80.65 | 475.15 | 109.2 | 84 | 416.80 | 33.82 |
| 39. | Switzerland | 84.40 | 325.287 | 885.3 | 273.73 | 774.26 | 1350.70 |
| 40. | Taiwan | - | 14 | 40 | 56.22 | - | 64.18 |
| 41. | U.A.E. | 871.42 | - | - | - | - | - |
| 42. | U.K. | 370.65 | 771.53 | 845.1 | 1390.75 | 3346.14 | 906.70 |
| 43. | U.S.A. | 3392.49 | 2936.905 | 2951.495 | 9713.73 | 6215.59 | 3448.24 |
| 44. | U.S.S.R. | - | - | 29.60 | 44.00 | 958.00 | 710.80 |
| 45. | Yugoslavia | - | - | 12 | 9.00 | - | - |
| 46. | NRI | 1904.01 | 790.40 | 2077.4 | 1679.90 | 2117.76 | 524.88 |
| 47. | China | - | - | - | - | 20.00 | - |
| 48. | Greace | - | - | - | - | 8.00 | - |
| 49. | Poland | - | - | - | - | 33.00 | - |
| 50. | Thailand | - | - | - | - | - | 6.25 |
| | Total | 12606.648 | 10695.1565 | 10770.575 | 23975.75 | 31666.56 | 12832.14 |

*Source* : Department of Industrial Development, Ministry of Industry

## Annex

### Table - A-5

Industry-wise Break-up of Number of Foreign Collaborations Approved During 1980-1984

| Name of the Industry | 1980 | 1981 | 1982 | 1983 | 1984 |
|---|---|---|---|---|---|
| 1 Metallurgical industries | 31 | 11 | 49 | 20 | 26 |
| 2 Fuels | 6 | 0 | 7 | 2 | 4 |
| 3 Boilers & Steam generating sets | 4 | 0 | 10 | 2 | 3 |
| 4 Prime movers (except elec.generators) | 0 | 2 | 4 | 2 | 6 |
| 5 Electrical equipment | 107 | 61 | 107 | 129 | 157 |
| 6 Telecommunications | 7 | 12 | 7 | 7 | 3 |
| 7 Transportation | 40 | 26 | 28 | 39 | 63 |
| 8 Industrial machinery | 121 | 130 | 107 | 115 | 138 |
| 9 Machine tools | 26 | 22 | 29 | 44 | 34 |
| 10 Agricultural machinery | 1 | 0 | 3 | 2 | 2 |
| 11 Earth moving machinery | 1 | 1 | 9 | 8 | 4 |
| 12 Misc.mechanical & enginnering industries | 29 | 1 | 23 | 35 | 44 |
| 13 Commercial,office & household equipment | 2 | 4 | 9 | 9 | 3 |
| 14 Medical & surgical appliances | 0 | 0 | 3 | 2 | 1 |
| 15 Industrial instruments | 15 | 22 | 29 | 37 | 56 |
| 16 Scientific instruments | 3 | 2 | 4 | 0 | 0 |
| 17 Mathematical instruments | 0 | 0 | 1 | 0 | 0 |
| 18 Fertilisers | 0 | 0 | 1 | 0 | 1 |
| 19 Chemicals other than fertilisers | 52 | 36 | 53 | 62 | 69 |
| 20 Photographic raw film and paper | 0 | 0 | 2 | 2 | 7 |
| 21 Dyestuffs | 0 | 0 | 0 | 0 | 0 |
| 22 Drugs and pharmaceuticals | 8 | 2 | 9 | 5 | 8 |
| 23 Textiles | 6 | 5 | 6 | 4 | 5 |
| 24 Paper & pulp and paper products | 0 | 2 | 9 | 3 | 2 |
| 25 Sugar | 0 | 0 | 0 | 0 | 0 |
| 26 Fermentation industries | 0 | 1 | 3 | 3 | 3 |
| 27 Food processing industries | 6 | 0 | 7 | 6 | 4 |
| 28 Vegetable oils and vanaspati | 0 | 0 | 0 | 1 | 0 |
| 29 Soaps, cosmetics & toilet preparations | 0 | 1 | 1 | 1 | 2 |
| 30 Rubber goods | 7 | 3 | 6 | 11 | 19 |
| 31 Leather and leather goods | 4 | 1 | 4 | 2 | 4 |
| 32 Glue and gelatine | 0 | 0 | 0 | 0 | 0 |
| 33 Glass | 9 | 5 | 6 | 6 | 13 |
| 34 Ceramics | 4 | 5 | 21 | 21 | 15 |
| 35 Cement and gypsum products | 0 | 2 | 4 | 7 | 7 |
| 36 Timber products | 1 | 1 | 0 | 0 | 0 |
| 37 Defence industries | 0 | 0 | 0 | 1 | 0 |
| 38 Cigarettes | 0 | 0 | 0 | 0 | 0 |
| 39 Consultancy | 5 | 10 | 5 | 13 | 14 |
| 40 Miscellaneous industries | 31 | 21 | 24 | 72 | 35 |
| Total | 526 | 389 | 590 | 673 | 752 |

## TABLE NO. A-6

## INDUSTRY-WISE BREAK-UP OF NUMBER OF FOREIGN COLLABORATION CASES APPROVED BY THE GOVERNMENT DURING THE YEAR FROM 1984 TO 1990

| Sl. No. | Name of the Industry | 1984 | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 |
|---|---|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| 1. | Metallurgical Industries | 26 | 53 | 45 | 29 | 27 | 30 | 26 |
| 2. | Fuels | 4 | 20 | 3 | 1 | 6 | 1 | 3 |
| 3. | Boilers & Steam Generating Plants | 3 | 13 | 5 | 1 | 2 | 11 | 7 |
| 4. | Prime Movers (other than Elect.Generators) | 6 | 15 | - | - | 6 | 2 | 2 |
| 5. | Electrical Equipment | 157 | 205 | 175 | 183 | 183 | 99 | 88 |
| 6. | Telecommunication | 3 | 36 | 37 | 16 | 23 | 37 | 69 |
| 7. | Transportation | 63 | 101 | 53 | 39 | 38 | 30 | 22 |
| 8. | Industrial Machinery | 138 | 152 | 108 | 132 | 141 | 59 | 75 |
| 9. | Machine Tools | 34 | 32 | 13 | 10 | 21 | 9 | 24 |
| 10. | Agricultural Machinery | 2 | 3 | 3 | - | 3 | 3 | - |
| 11. | Earth Moving Machinery | 4 | 11 | - | - | 4 | - | - |
| 12. | Miscellaneous Mechanical & Engg. Industry | 44 | 45 | 47 | 50 | 68 | 26 | 88 |
| 13. | Commercial Offices & Household Equipment | 3 | 20 | 10 | 7 | 10 | 18 | 7 |
| 14. | Medical and Surgical appliances | 1 | 5 | 12 | 10 | 18 | 6 | 5 |
| 15. | Industrial Instruments | 56 | 52 | 20 | 47 | 43 | 35 | 38 |
| 16. | Scientific Instruments | - | 2 | 13 | 4 | 3 | 5 | - |
| 17. | Mathematical Surveyig & Drawing Instruments | - | - | 1 | - | 2 | 2 | - |
| 18. | Fertilizers | 1 | - | 1 | 1 | 2 | 4 | - |
| 19. | Chemical (other than Fertilizers) | 69 | 69 | 107 | 84 | 96 | 66 | 66 |
| 20. | Photographic Raw Film and Paper | 7 | - | 5 | 2 | 2 | - | - |
| 21. | Dyestuffs | - | 1 | 1 | - | 1 | - | - |
| 22. | Drug & Pharmaceuticals | 8 | 5 | 10 | 13 | 10 | 12 | 2 |
| 23. | Textiles (including those dyes printed or otherwise processed) | 5 | 10 | 13 | 6 | 8 | 6 | 10 |
| 24. | Paper & Pulp including paper products | 2 | 3 | 7 | 6 | 7 | 7 | 7 |
| 25. | Sugar | - | 2 | 1 | - | 1 | - | - |
| 26. | Fermentation Industries | 3 | 1 | 6 | 6 | - | - | - |
| 27. | Food Processing Industries | 4 | 5 | 8 | 16 | 11 | 15 | 7 |
| 28. | Vegetable oil & Vanaspati | - | - | 1 | 1 | 2 | 5 | - |
| 29. | Soaps, Cosmetics & Toilet preparations | 2 | 2 | 2 | - | 3 | 1 | 2 |
| 30. | Rubber Goods | 19 | 1 | 11 | 10 | 11 | 14 | 10 |
| 31. | Leather, Leather Goods & Pickers | 4 | 19 | 8 | 4 | 8 | 10 | 7 |
| 32. | Glue & Gelatine | - | 1 | 1 | - | - | - | - |
| 33. | Glass | 13 | 9 | 8 | 8 | 4 | 8 | 4 |
| 34. | Ceramics | 15 | 27 | 20 | 18 | 20 | 18 | 8 |
| 35. | Cement & Gypsum Products | 7 | 9 | 11 | 7 | 5 | 3 | 6 |
| 36. | Timber Products | - | - | - | 1 | 1 | 2 | - |
| 37. | Defence Industries | - | - | - | - | - | - | - |
| 38. | Cigarettes | - | - | - | - | - | - | - |
| 39. | Consultancy | 14 | 23 | 5 | 47 | 39 | 20 | 10 |
| 40. | Miscellaneous Industries | 35 | 74 | 186 | 94 | 97 | 41 | 73 |
| | Total | 752 | 1024 | 957 | 853 | 926 | 605 | 666 |

*Source* : Department of Industrial Development, Ministry of Industry.

34—749 M/o Industry/91

ANNEX

Table- A-7

Industry-wise Break-up of Foreign Collaborations Approved During 1991-1992

(Amount in Rupees crore)

| Name of the Industry | No.of collaborations | | Amount approved | |
|---|---|---|---|---|
| | 1991 | 1992 | 1991 | 1992 |
| 1 Metallurgical industries | 37 | 80 | 2.23 | 58.87 |
| 2 Fuels | 10 | 33 | 2.30 | 1504.11 |
| 3 Boilers & Steam generating sets | 9 | 8 | 0.72 | 0.12 |
| 4 Prime movers (except elec.generators) | 1 | 0 | 0.00 | 0.00 |
| 5 Electrical equipment | 167 | 285 | 101.39 | 371.84 |
| 6 Telecommunications | 26 | 39 | 13.58 | 119.07 |
| 7 Transportation | 57 | 71 | 20.11 | 145.36 |
| 8 Industrial machinery | 176 | 156 | 55.70 | 70.71 |
| 9 Machine tools | 21 | 21 | 1.97 | 6.73 |
| 10 Agricultural machinery | 6 | 7 | 0.00 | 5.54 |
| 11 Earth moving machinery | 7 | 9 | 0.08 | 0.55 |
| 12 Misc.mechanical & enginnering industries | 34 | 71 | 0.84 | 37.17 |
| 13 Commercial,office & household equipment | 7 | 15 | 0.00 | 63.81 |
| 14 Medical & surgical appliances | 10 | 8 | 4.25 | 3.60 |
| 15 Industrial instruments | 37 | 24 | 2.07 | 14.81 |
| 16 Scientific instruments | 3 | 17 | 1.65 | 32.89 |
| 17 Mathematical instruments | 0 | 0 | 0.00 | 0.00 |
| 18 Fertilisers | 2 | 3 | 1.00 | 0.00 |
| 19 Chemicals other than fertilisers | 134 | 232 | 146.32 | 421.17 |
| 20 Photographic raw film and paper | 0 | 3 | 0.00 | 7.90 |
| 21 Dyestuffs | 0 | 1 | 0.00 | 0.08 |
| 22 Drugs and pharmaceuticals | 4 | 25 | 0.80 | 30.17 |
| 23 Textiles | 16 | 42 | 18.55 | 139.25 |
| 24 Paper & pulp and paper products | 12 | 18 | 4.40 | 20.15 |
| 25 Sugar | 0 | 0 | 0.00 | 0.00 |
| 26 Fermentation industries | 1 | 9 | 0.00 | 4.99 |
| 27 Food processing industries | 35 | 69 | 54.09 | 402.22 |
| 28 Vegetable oils and vanaspati | 5 | 7 | 3.03 | 6.13 |
| 29 Soaps, cosmetics & toilet preparations | 1 | 2 | 0.00 | 18.86 |
| 30 Rubber goods | 11 | 16 | 1.09 | 2.37 |
| 31 Leather and leather goods | 10 | 17 | 3.14 | 27.25 |
| 32 Glue and gelatine | 0 | 0 | 0.00 | 0.00 |
| 33 Glass | 9 | 5 | 0.75 | 0.34 |
| 34 Ceramics | 19 | 29 | 12.74 | 19.38 |
| 35 Cement and gypsum products | 6 | 11 | 12.00 | 6.79 |
| 36 Timber products | 0 | 1 | 0.00 | 0.00 |
| 37 Defence industries | 1 | 0 | 0.00 | 0.00 |
| 38 Cigarettes | 0 | 1 | 0.00 | 1.20 |
| 39 Consultancy | 31 | 27 | 5.81 | 12.16 |
| 40 Miscallaneous industries | 45 | 158 | 63.52 | 331.96 |
| Total | 950 | 1520 | 534.13 | 3887.55 |

## A 8-STATEMENT SHOWING COUNTRY-WISE BREAKUP OF FOREIGN INVESTMENT APPROVED DURING 1991 TO 1993

(Rupees in millions)

| S. No. | Name of Country | 1991 | | | 1992 | | | 1993 | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | SIA | RBI | TOTAL | SIA | RBI | TOTAL | SIA | RBI | TOTAL |
| 1. | U.S.A. | 1396.5 | 462.0 | 1858.5 | 9398.1 | 2916.9 | 12315.0 | 14729.2 | 46.6 | 14775.8 |
| 2. | SWITZERLAND | 347.4 | 7.5 | 355.0 | 6301.0 | 596.6 | 6897.6 | 2660.0 | 6.9 | 2666.9 |
| 3. | JAPAN | 195.5 | 331.6 | 527.1 | 4973.7 | 1128.6 | 6102.3 | 38.5 | 26.8 | 65.3 |
| 4. | U.K. | 243.2 | 77.8 | 321.0 | 693.4 | 483.3 | 1176.7 | 504.3 | 10.7 | 515.0 |
| 5. | NETHERLANDS | 233.3 | 325.9 | 559.2 | 877.4 | 90.5 | 967.9 | 25.6 | 0.5 | 26.1 |
| 6. | ITALY | 174.2 | 3.9 | 178.1 | 881.6 | 12.3 | 893.9 | 264.4 | 4.9 | 269.3 |
| 7. | GERMANY | 401.2 | 16.8 | 418.0 | 476.8 | 385.9 | 862.7 | 541.1 | 55.0 | 596.1 |
| 8. | AUSTRALIA | 13.4 | 12.7 | 26.1 | 648.2 | 128.0 | 776.2 | 12.5 | 6.1 | 18.6 |
| 9. | MALAYSIA | 1.8 | - | 1.8 | - | 744.3 | 744.3 | 1.2 | - | 1.2 |
| 10. | SINGAPORE | 12.5 | 1.2 | 13.7 | 571.8 | 30.3 | 602.1 | 1.2 | 30.7 | 31.9 |
| 11. | HONGKONG | 211.5 | - | 211.5 | 522.5 | 48.3 | 570.8 | - | 5.0 | 5.0 |
| 12. | SWEDEN | 60.9 | 8.9 | 69.8 | 254.2 | 229.9 | 484.1 | - | - | - |
| 13. | KOREA (SOUTH) | 61.5 | - | 61.5 | 362.6 | 31.4 | 394.0 | - | 1.6 | 1.6 |
| 14. | FRANCE | 91.3 | 102.0 | 193.3 | 134.0 | 162.4 | 296.4 | 26.1 | 13.5 | 39.6 |

(Rupees in millions)

| S. No. | Name of Country | 1991 | | | 1992 | | | 1993 | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | SIA | RBI | TOTAL | SIA | RBI | TOTAL | SIA | RBI | TOTAL |
| 15. | DENMARK | 111.7 | - | 111.7 | 86.2 | 166.1 | 252.3 | - | 7.6 | 7.6 |
| 16. | BELGIUM | 16.1 | - | 16.1 | 235.0 | 2.0 | 237.0 | 4.5 | - | 4.5 |
| 17. | TAIWAN | 4.5 | - | 4.5 | 177.7 | 2.3 | 180.0 | - | 0.9 | 0.9 |
| 18. | RUSSIA | 56.1 | 30.0 | 86.1 | 99.1 | 16.8 | 115.9 | - | - | - |
| 19. | FINLAND | 25.3 | - | 25.3 | 104.2 | 0.8 | 105.0 | 5.5 | - | 5.5 |
| 20. | AUSTRIA | 15.9 | - | 15.9 | 56.0 | 5.4 | 61.4 | - | 5.0 | 5.0 |
| 21. | CHINA | 7.5 | - | 7.5 | - | - | - | - | 285.3 | 285.3 |
| 22. | IRELAND | - | - | - | - | 0.1 | 0.1 | 15.0 | - | 15.0 |
| 23. | KUWAIT | - | - | - | - | 0.9 | 0.9 | - | 0.5 | 0.5 |
| 24. | MAURITIUS | - | - | - | - | - | - | - | 3.0 | 3.0 |
| 25. | SAUDI ARABIA | - | - | - | 3.0 | 0.1 | 3.1 | 44.5 | - | 44.5 |
| 26. | THAILAND | - | - | - | - | 19.2 | 19.2 | 3660.0 | - | 3660.0 |
| 27. | NRI | 197.0 | - | 197.0 | 3997.6 | 393.7 | 4391.3 | 812.3 | - | 812.3 |
| **28.** | **ALL COUNTRIES INCLUDING ABOVE** | **3918.7** | **1422.4** | **5341.1** | **31104.5** | **7770.9** | **38875.4** | **23348.8** | **510.6** | **23859.4** |

Note : i) 1 Million = 10 Lakhs
ii) SIA approvals in 1991, 1992 & 1993 include cases approved by FIPB also.
iii) Figures for 1993 updated to 28-02-1993

TABLE A-9 contd.....

## ANNEXURE : CORPORATE SECTOR - FOREIGN DIRECT INVESTMENT (COUNTRY / INDUSTRY) *(Contd.)*

(Rs. crores)

| INDUSTRY / COUNTRY | UK | | | USA | | | FRG | | | JAPAN | | | SWITZERLAND | | | SWEDEN | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1987 | 1988 | 1989 | 1987 | 1988 | 1989 | 1987 | 1988 | 1989 | 1987 | 1988 | 1989 | 1987 | 1988 | 1989 | 1987 | 1988 | 1989 |
| I | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 |
| I. PLANTATIONS | 153 | 171 | 200 | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — |
| II. MINING | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — |
| III. PETROLEUM | — | — | — | 2 | 1 | 2 | — | — | — | — | — | — | — | — | — | — | — | — |
| IV. MANUFACTURING | 719 | 834 | 911 | 299 | 358 | 413 | 151 | 183 | 225 | 58 | 78 | 108 | 65 | 79 | 72 | 51 | 55 | 80 |
| 1. FOOD & BEVERAGES | 90 | 97 | 98 | 2 | 8 | 9 | — | — | — | — | — | — | — | — | — | — | — | — |
| 2. TEXTILE PRODUCTS | 68 | 62 | 67 | 10 | 21 | 22 | 3 | 2 | 3 | — | — | — | — | — | — | — | — | — |
| 3. TRANSPORT EQUIPMENT | 82 | 90 | 119 | 24 | 26 | 36 | 11 | 14 | 12 | 42 | 54 | 75 | 1 | 1 | 1 | — | — | — |
| 4. MACHINERY & MACHINE TOOLS | 61 | 65 | 69 | 54 | 68 | 89 | 50 | 61 | 67 | — | 2 | 2 | 8 | 17 | 10 | 32 | 31 | 51 |
| 5. METALS & METAL PRODUCTS | 22 | 56 | 53 | 23 | 25 | 11 | 1 | 2 | 7 | 1 | 2 | 2 | 2 | 3 | 3 | — | — | — |
| 6. ELECTRICAL GOODS & MACHINERY | 91 | 96 | 118 | 46 | 48 | 67 | 24 | 28 | 43 | 7 | 7 | 11 | 5 | 5 | — | 2 | 4 | 5 |
| 7. CHEMICALS & ALLIED PRODUCTS | 247 | 289 | 312 | 122 | 137 | 143 | 61 | 75 | 90 | 5 | 11 | 14 | 41 | 43 | 46 | 8 | 11 | 11 |
| 8. OTHERS | 49 | 79 | 75 | 18 | 25 | 36 | 1 | 1 | 3 | 3 | 2 | 4 | 8 | 10 | 12 | 9 | 9 | 13 |
| V. TRADING | 2 | 2 | 2 | 2 | 3 | 3 | — | — | — | 3 | 2 | — | — | — | 7 | — | 1 | 1 |
| VI. CONSTRUCTIONS & TURNKEY PROJECTS | 2 | 4 | 4 | 13 | 16 | 24 | 1 | 3 | 3 | — | — | — | — | — | — | — | — | — |
| VII. TRANSPORT | 4 | 4 | — | 7 | 8 | 8 | — | — | — | — | — | — | — | — | — | — | — | — |
| VIII. UTILITIES | 11 | 11 | 2 | — | — | 1 | — | — | — | — | — | — | — | — | — | — | — | — |
| IX. FINANCIAL INSTITUTIONS | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — |
| X. OTHERS | 10 | 13 | 8 | 9 | 10 | 9 | 2 | 1 | 1 | 3 | 3 | 4 | — | 1 | 1 | — | — | — |
| TOTAL | 901 | 1,039 | 1,127 | 332 | 396 | 460 | 154 | 187 | 229 | 64 | 83 | 112 | 65 | 80 | 80 | 51 | 56 | 81 |

*Note:* Figures are as at the end of March for respective years.

TABLE A-9

ANNEXURE : CORPORATE SECTOR - FOREIGN DIRECT INVESTMENT (COUNTRY / INDUSTRY) *(Contd.)*

(Rs. crores)

| INDUSRTY / COUNTRY | CANADA | | | NETHERLANDS | | | FRANCE | | | OTHERS | | | TOTAL | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1987 | 1988 | 1989 | 1987 | 1988 | 1989 | 1987 | 1988 | 1989 | 1987 | 1988 | 1989 | 1987 | 1988 | 1989 |
| 0 | 21 | 22 | 23 | 24 | 25 | 26 | 27 | 28 | 29 | 30 | 31 | 32 | 33 | 34 | 35 |
| I. PLANTATIONS | — | — | — | — | — | — | — | — | — | — | — | — | 153 | 171 | 200 |
| II. MINING | — | — | — | — | — | — | — | — | — | 6 | 6 | 7 | 6 | 6 | 7 |
| III. PETROLEUM | — | — | — | — | — | — | — | — | — | — | — | — | 2 | 1 | 2 |
| IV. MANUFACTURING | 46 | 44 | 55 | 28 | 40 | 39 | 10 | 14 | 12 | 65 | 83 | 75 | 1,492 | 1,768 | 1,990 |
| 1. FOOD & BEVERAGES | — | — | — | — | — | — | — | 3 | — | 13 | 12 | 22 | 114 | 120 | 129 |
| 2. TEXTILE PRODUCTS | — | — | — | — | — | — | — | — | — | — | 6 | — | 81 | 91 | 92 |
| 3. TRANSPORT EQUIPMENT | — | — | — | — | 1 | — | — | — | — | 13 | 13 | 2 | 173 | 199 | 245 |
| 4. MACHINERY & MACHINE TOOLS | 3 | — | — | 2 | 2 | 3 | — | — | — | — | 3 | 3 | 210 | 249 | 294 |
| 5. METALS & METAL PRODUCTS | 34 | 35 | 42 | — | — | 1 | — | — | — | 2 | 1 | 1 | 85 | 124 | 120 |
| 6. ELECTRICAL GOODS & MACHINERY | — | — | — | 24 | 35 | 30 | 1 | 10 | 10 | 7 | 3 | 2 | 207 | 236 | 286 |
| 7. CHEMICALS & ALLIED PRODUCTS | — | — | — | 2 | 2 | 3 | — | — | — | 30 | 36 | 28 | 516 | 604 | 647 |
| 8. OTHERS | 9 | 9 | 13 | — | — | 2 | 9 | 1 | 2 | — | 9 | 17 | 106 | 145 | 177 |
| V. TRADING | — | — | — | — | — | — | — | — | — | — | 1 | 6 | 7 | 9 | 19 |
| VI. CONSTRUCTIONS & TURNKEY PROJECTS | — | — | — | — | — | — | — | — | — | — | 6 | 3 | 16 | 29 | 34 |
| VII. TRANSPORT | — | — | — | — | — | — | — | — | — | 1 | — | 6 | 12 | 12 | 14 |
| VIII. UTILITIES | — | — | — | — | — | — | — | — | — | — | — | — | 11 | 11 | 3 |
| IX. FINANCIAL INSTITUTIONS | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — |
| X. OTHERS | — | — | — | 1 | 1 | — | 2 | — | 1 | 16 | 9 | 9 | 43 | 38 | 33 |
| TOTAL | 46 | 44 | 55 | 29 | 41 | 39 | 12 | 14 | 13 | 86 | 105 | 106 | 1,742 | 2,045 | 2,302 |

*Note : Figures are as at the end of March for respective years.*

## APPENDIX I

**List of industries for automatic approval of foreign technology agreements and for 51 percent foreign equity approvals.**

1. Metallurgical Industries.
   - i. Ferro alloys.
   - ii. Castings and forgings.
   - iii. Non-ferrous metals and their alloys.
   - iv. Sponge iron and pelletisation.
   - v. Large diameter steel welded pipes of over 300 mm diameter and stainless steel pipes.
   - vi. Pig iron.
2. Boilers and Steam Generating Plants.
3. Prime Movers (other than electrical generators).
   - I. Industrial turbines.
   - II. Internal combustion engines.
   - iii. Alternative energy systems like solar wind, etc. and equipment thereof.
   - iv. Gas/hydro/steam turbines upto 60 MW.
4. Electrical Equipment.
   - I. Equipment for transmission and distribution of electricity including power and distribution transformers, power relays, HT-switch gear synchronous condensers.
   - ii. Electrical motors.
   - iii. Electrical furnaces, industrial furnaces and induction heating equipment.
   - iv. X-ray equipment.
   - v. Electronic equipment, components, including subscribers' and telecommunication equipments.
   - vi. Component wires for manufacture of lead-in wires.
   - vii. Hydro/steam/gas generators/generating sets upto 60 MW.
   - viii. Generating sets and pumping sets based on internal combustion engines.
   - ix. Jelly filled telecommunication cables.
   - x. Optic fibre
   - xi. Energy efficient lamps.
   - xii. Midget carbon electrodes.
5. Transportation.
   - i. Mechanised sailing vessels upto 10,000 DWT, including fishing trawlers.
   - ii. Ship ancillaries.
   - iii. (a) Commercial vehicles, public transport vehicles, including automotive commercial three wheeler jeep type vehicles, industrial locomotives.
     - (b) Automotive two wheelers and three wheelers.
     - (c) Automotive components/spares and ancillaries.
   - iv. Shock absorbers for railway equipment.
   - v. Brake system for railway stock and locomotives.
6. Industrial Machinery, and equipment.
7. i. Machine tools and industrial robots and their controls and accessories.
   - ii. Jigs, fixtures, tools and dies of specialised types and cross land tooling.
   - iii. Engineering production aids such as cutting and forming tools, patterns and dies and tools.
8. Agriculture Machinery
   - i. Tractors.
   - ii. Self-propelled harvestor combines.
   - iii. Rice transplanters.
9. Earth Moving Machinery.
   - I. Earth moving machinery and construction machinery and components thereof.
10. Industrial Instruments.
    - I. Indicating, recording and regulating devices for

pressure, temperature, rate of flow, weights, levels and the like.

11. Scientific and Electromedical Instruments and Laboratory Equipment.

12. Nitrogenous & Phosphatic Fertilizers falling under

    i. Inorganic fertilizers under '18 Fertilizers' in the First Schedule to IDR Act, 1951.

13. Chemicals (other than fertilizers).

    i. Heavy organic chemicals including petrochemicals.
    ii. Heavy inorganic chemicals.
    iii. Organic fine chemicals.
    iv. Synthetic resins and plastics.
    v. Man made fibres.
    vi. Synthetic rubber.
    vii. Industrial explosives.
    viii. Technical grade insecticides, fungicides, weedicides, and the like.
    ix. Synthetic detergents.
    x Miscellaneous chemicals (for industrial use only).
        (a) Catalysts and catalyst supports.
        (b) Photographic chemicals.
        (c) Rubber chemicals.
        (d) Polyols.
        (e) Isocyanates, urethanes etc.
        (f) Speciality chemicals for enhanced oil recovery.
        (g) Heating fluids.
        (h) Coal tar distillation and products therefrom.
        (i) Tonnage plants for the manufacture of industrial gases.
        (j) High altitude breathing oxygen/medical oxygen.
        (k) Nitrous oxide.
        (l) Refrigerant gases like liquid nitrogen, carbon-dioxide, etc. in large volumes.
        (m) Argon and other rare gases.
        (n) Alkali/acid resisting cement compound.
        (o) Leather chemicals and auxiliaries.

14. Drugs and Pharmaceuticals (according to Drug Policy).

15. i. Paper and pulp including paper products.
    ii. Industrial laminates.

16. i. Automobile tyres and tubes.
    ii. Rubberised heavy duty industrial beltings of all types.
    iii. Rubberised conveyor beltings.
    iv. Rubber reinforced and lined fire fighting hose pipes.
    v. High pressure braided hoses.
    vi. Engineering and industrial plastic products.

17. Plate Glass.

    i. Glass shells for television tubes.
    ii. Float glass and plate glass.
    iii. HT insulators.
    iv. Glass fibres of all types.

18. Ceramics for industrial use.

19. Cement Products.

    i. Portland cement.
    ii. Gypsum boards, wall boards and the like.

20. High Technology Reproduction and Multiplication Equipment.

21. Carbon and Carbon Products.

    i. Graphite electrodes and anodes.
    ii. Impervious graphite blocks and sheets.

22. Pretensioned High Pressure RCC Pipes.

23. Rubber Machinery.

24. Printing Machinery.

    i. Web-fed high speed off-set rotary printing machine having output of 30,000 or more impressions per hour.
    ii. Photo composing/type setting machines.
    iii. Multi-coloured sheet-fed off-set printing machines of sizes 18" x 25" and above.
    iv. High speed rotogravure printing machines having output of 30,000 or more impressions per hour.

25. Welding Electrodes other than those for Welding Mild Steel.

26. Industrial Synthetic Diamonds.

27. i. Photosynthesis improvers.
    ii. Genetically modified free living symbiotics nitrogen fixer.
    iii. Pheromones.
    iv. Bio-insecticides.

28. Extraction and Upgrading of Minor Oils.

29. Pre-fabricated Building Material.

30. Soya Products.

    i. Soya texture proteins.
    ii. Soya protein isolates.
    iii. Soya protein concentrates.
    iv. Other specialised products of soyabean.
    v. Winterised and deodorised refined soyabean oil.

31. i. Certified high-yielding hybrid seeds and synthetic seeds.
    ii. Certified high-yielding plantlets developed through plant tissue culture.

32. All food processing industries other than milk food, malted foods, and flour, but excluding the items reserved for small-scale sector.

33. All items of packaging for food processing industries excluding the items reserved for small-scale sector.

34. Hotels and tourism-related industry.

35. Software Development.





**List of industries in which dividend repatriation is to be matched by corresponding foreign exchange earnings.**

1. Manufacture of food and food products.
2. Manufacture of dairy products.
3. Grain mill products.
4. Manufacture of bakery products.
5. Manufacture and refining of sugar (vacuum pan sugar factories).
6. Production of common salt.
7. Manufacture of hydrogenated oil (Vanaspati).
8. Tea processing.
9. Coffee.
10. Manufacture of beverages, tobacco and tobacco products.
11. Distilling, rectifying and blending of spirits, wine industries, malt liquors and malt, production of country liquors and toddy.
12. Soft drinks and carbonated water industry.
13. Manufacture of cigars, cigarettes, cheroot and cigarette tobacco.
14. Manufacture of wood and wood products, furniture and fixtures.
15. Manufacture of leather and leather and fur products.
16. Tanning, curing, finishing, embossing and japanning of leather.
17. Manufacture of footwear (excluding repair) except vulcanized or moulded rubber or plastic footwear.
18. Manufacture of footwear made primarily of vulcanized or moulded products.
19. Prophylactics (rubber contraceptives).
20. Motor cars.
21. Entertainment electronics (VCRs, Colour TVs, CD players, tape recorders).
22. White goods (domestic refrigerators, domestic dishwashing machines, programmable domestic washing machines, microwave ovens, air-conditioners).

Appendix-III

MINIMUM VALUE ADDITION REQUIREMENT FOR CERTAIN ITEMS

| | | | |
|---|---|---|---|
| I. | ELECTRONICS | | |
| | (a) Computer software | : | 60% |
| | (b) Blank video cassettes | : | 25% |
| | (c) Consumer electronics | : | 20% |
| II. | TEXTILES | | |
| | (a) Readymade garments | : | 40% |
| | (b) Made-ups | : | 25% |
| | (c) Cotton yarn and cotton polyester yarn (ring spindles spun) | : | 30% |
| | (d) Cotton yarn and cotton polyester yarn (open-end spinning) | : | 35% |
| | (e) Piece goods | : | 30% |
| | (f) Denim fabrics | : | 30% |
| | (g) Terry towels | : | 32% |
| | (h) Silk fabrics | : | 20% |
| III. | LEATHER PRODUCTS | | |
| | (a) Leather footwear | : | 25% |
| | (b) Leather shoe uppers | : | 25% |
| | (c) Leather garments/goods | : | 30% |
| | (d) Sports shoes/sports footwear | : | 25% |
| IV. | GEM & JEWELLERY | | |
| | (a) Plain gold jewellery | : | 10% |
| | (b) Studded gold jewellery | : | 15% |
| | (c) Silver jewellery | : | 25% |
| V. | OTHERS | | |
| | (a) Latex gloves | : | 40% |
| | (b) Granite | : | 45% |
| | (c) Fish and shrimp culture; feed production units | : | 30% |
| | (d) Test and measuring instruments; Industrial/control valves, photocopiers and medical and scientific instruments | : | 20% |
| | (e) Clocks/Time pieces/wrist watches | : | 30% |
| | (f) Cigarettes | : | 35% |
| | (g) Cigarette lighters | : | 40% |
| | (h) Bristles, including brushes | : | 30% |
| | (i) Tissue culture plants | : | 60% |
| | (j) Telecommunication equipment | : | 30% |
| | (k) Smaller vessels i.e. trawlers, tugs, dredgers, etc. | : | 30% |
| | (l) Large ocean-going vessels | : | 40% |